

Accountancy

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Professional Notes

The Coronation Honours

THE NAMES OF THREE MEMBERS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS appear in the Coronation Honours List. We have much pleasure in congratulating Mr. E. H. Everson, A.S.A.A., Command Secretary, Far East Land Forces, War Office, on becoming a C.B.E., Mr. H. J. Cartright, A.S.A.A., Principal Accountant, Ministry of Works, on receiving the Honour of O.B.E., and Mr. W. H. Green, A.S.A.A., Senior Executive Officer, Ministry of National Insurance, on being awarded the M.B.E.

We also have pleasure in offering our congratulations to other members of the accountancy profession who receive Honours, including Mr. W. J. Grimshaw, A.C.A., of London, Mr. S. W. Rawson, F.C.W.A., Director-General of Machine Tools in the Ministry of Supply, and Mr. J. G. Rutherford, A.C.A., of Sunderland, who become Knights Bachelor, and Major-General C. N. Bednall, C.B., O.B.E., M.C., A.C.A., who is awarded the K.B.E.

Among the many other distinguished persons in business and finance who are

honoured by Her Majesty we note with particular pleasure the name of Mr. John Braithwaite, as a recipient of a Knighthood. Mr. Braithwaite, who is the Chairman of the Council of the London Stock Exchange, is well known to Incorporated Accountants as a lecturer at their University Courses and as a friend of the Society.

Exchange Arbitrage

The permission granted to recognised dealers in exchange to undertake arbitrage business with seven Continental centres in the currency of any of the eight participants, appears to be working well. This new freedom, granted in mid-May, replaced a rule under which arbitrage was permitted only in the currency of the centre with which the business took place. This rule naturally tended to perpetuate a principle of bilateralism which this country is now anxious to relegate to the rubbish heap. Business is at present restricted to spot transactions and there are limitations upon the type of Swiss francs in which dealings are permitted, so that there shall be no wide gap for the loss of dollars.

The new elasticity was accompanied by a refixing of margins within which exchange rates were allowed to fluctuate and, on the whole, the effect has been to reduce the margins, although some are extended, and the public has, therefore, probably done its exchange business rather more cheaply. After an initial burst of activity, the general level has settled down at rather modest proportions but it seems that London has attracted some business which was the monopoly of Switzerland in recent years.

So far, it seems that the expectation that the Bank of England would permit larger holdings of the currencies concerned to the participants has not been realised. But there is no reason to suppose that extension will not be granted if the authorities regard that as desirable, and it is believed that the main criterion will be the genuine requirements of an effective market.

The eight countries in question are the leaders of the "E.P.U." group: the U.K., France, Germany, Belgium, Holland, Sweden, Switzerland and Denmark. The development has carried with it the decision of the Bank of England to grant an official quotation for the

German mark and, of course, an equally official quotation there for sterling.

Accountants and the U.S. Budget

Suggestions have been made that economies would be achieved if British Government expenditure were subjected to inquiries in which non-officials would take part. These suggestions receive added point by a new procedure followed in the U.S.A. this year. The Committee on Appropriations of the House of Representatives set up a special "task force" to supplement the work of the regular investigating staff in aiding the committee's examination of the President's budgetary requests for the financial year July, 1953 to June, 1954.

The task force consisted of about 70 experts. Most of them were accountants or accounting executives from business, or accountants engaged in professional practice, but the group also included men with an actuarial or engineering background. The task force was not entirely non-official, for some of its members are engaged in the Federal Government's General Accounting Office. About a third of the 70 members were members of the American Institute of Accountants.

The task force, operating as individuals or in small groups, worked on agency budgets as requested by the chairmen of the various sub-committees of the Committee on Appropriations. No attempt was made to revise existing accounting systems or budgetary processes, the aim being to collate for each agency all the relevant data in the period of 45 to 90 days available. The task force then summarised for the sub-committees all the data which it thought would be helpful to the sub-committees in forming an independent judgment on the budgetary requests they were considering.

The Institute's New President

Mr. James Blakey, F.C.A., has been elected President of the Institute of Chartered Accountants in England and Wales. Mr. Blakey became an Associate of the Institute in 1913, a Fellow in 1922, and a Council member in 1937. He is a senior partner in the firm of Litton, Pownall, Blakey & Higson, Chartered Accountants, of Manchester. After serving as Honorary Secretary of

the Manchester Society of Chartered Accountants, Mr. Blakey was its President for 1933 and 1934, and he was President of the Manchester Chartered Accountants' Students' Society in 1936-37. For many years he was on the Board of Management of the Manchester Hospital for Diseases of the Throat and Chest. He holds a number of company directorships and is a General Commissioner of Income Tax for the Bucklow area of Cheshire.

The new Vice-President of the Institute is Mr. D. V. House, F.C.A., senior partner in Harwood Banner, Lewis and Mounsey, of Liverpool and London. He has been a member of the Council of the Institute since 1942.

New President of Cost and Works' Accountants

Mr. Francis W. H. Saunders, F.C.W.A., was elected President of the Institute of Cost and Works' Accountants for 1953-54 at the recent annual general meeting.

Mr. Saunders became an Associate of the Institute of Cost and Works' Accountants in 1934 and a Fellow in 1939, and has held the Presidency of both the London and Eltham branches. He represents the Institute of Cost and Works Accountants on the British Standards Institution Committee for Office Equipment and Supplies Standards, and was a member of the first Research Committee that produces the booklet *The Problem of Selling and Distribution Cost Accounting*, in 1940. He is manager of the clerical organisation of *Peck, Frean & Co., Ltd.*

Mr. Festus Moffat, O.B.E., J.P., F.S.A.A.

We have pleasure in announcing that Mr. Festus Moffat, O.B.E., J.P., F.S.A.A., has been nominated to the Council of the Society of Incorporated Accountants by the Scottish Branch (The Scottish Institute of Accountants) and has been elected.

Mr. Moffat commenced his professional training in Glasgow and completed it in Edinburgh. He set up in practice in his native town of Falkirk, in 1923. He was a member of Falkirk Town Council from 1929 to 1936 having completed the term as honorary treasurer and magistrate in the burgh. During the last war, Mr. Moffat held

the rank of Lieut.-Commander in R.N.V.R. and at the conclusion of hostilities was awarded the O.B.E. (Military Division) for services rendered. He has been a Justice of the Peace for the County of Stirling since 1935 and last year was appointed an honorary sheriff at Falkirk.

Business Efficiency Exhibition Business Machines—(1) Electronic

From the press notices of this year's Business Efficiency Exhibition, held at Olympia from June 16 to 26, there could be detected the advent of a new phase in the mechanisation of the office. This phase is best described by that overworked word "electronic," which for these purposes can be said to be the science of using electric currents and apparatus, similar to that used in radio and television sets, to produce results hitherto achieved by gears and levers, as used in adding and calculating machines.

The impact on practice is, so far, not great, but the potentialities are immense. These machines, among other functions, can do multiplication sums in a few thousands of a second, and, if necessary, record the answer as holes punched in a card. And in a lighter vein, just to show what can be done, one of these appliances will play anybody at noughts and crosses and the machine will never lose a game (though it may draw!) The reason it cannot lose is that instructions, in the form of punched cards, have been passed to the machine, and the instrument has stored these instructions by means of magnetised areas on a cylinder. It is made to consult these instructions to find what to do on the happening of a specified event, for example, when the opponent puts a nought in the centre square.

This capacity for storing and acting on standard instructions makes the equipment readily adaptable for keeping accounts. It could receive the details of the original transaction, possibly in the form of electric pulses from a cash receipting-machine, post the information to the specified accounts and maintain those accounts until the end of the financial period, when the final results would be printed by means of a typical punched card tabulator or an elaborated form of typewriter. This gives an indication of the enormous potentialities of the technique.

Accountants would do well to study it; those in industry will certainly be involved, while those not in industry should be aware that with electronic machines it will be possible to proceed from original document or transaction to final accounts without the production of any intermediate record—producing such a record could indeed be a serious hindrance to the system.

The description of "electronic" has also been applied to a method of cutting a stencil for duplicating purposes by means of a miniature electric spark burning a hole in the stencil but actuated by a photo-electric cell coupled to a small spot of light which "scans" the original document.

Electronic apparatus is receiving much attention from electricians, scientists and mathematicians; discoveries and improvements are constantly being made. When the results of these achievements are available for application to accounting methods, the profession should ensure that its requirements are appreciated by the technicians while the machines are in the prototype stage.

—(2) Others

With regard to the exhibition in general, there was a wide collection of typewriters, adding, calculating and book-keeping machines, duplicating machines, recording machines, office furniture and small office appliances. Though the collection was wide, however, a superficial observation would indicate a reduction in the different types of book-keeping and accounting machines, as it is now possible to use one machine to perform several tasks with the minimum of mechanical adjustment—in one case, the mere turning of a knob.

Photographic methods for copying documents and making records are being introduced more widely, and every effort is being made by means of simple apparatus to avoid the messiness which was associated with some of the earlier forms of this type of equipment. The advantages of a photographic copy of a document are well known, and the convenience of the latest processing apparatus should ensure its wider adoption. There is a very useful machine which photographs on to small-sized film every document as it is being listed

on an ordinary adding machine, the depression of the motor bar actuating the camera simultaneously.

There appeared to be fewer of the more usual office gadgets but one which merited attention was a device which not only punched the necessary holes in a sheet of paper for filing, but reinforced the holes with an additional surround at the same time.

Apart from the application of the more recent scientific discoveries to office work, it is often asked whether any fresh ideas are possible, and each exhibition provides an affirmative answer. It was a step in the direction of saving time in punching cards when the manufacturers of punched card equipment introduced a machine which automatically punched the hole by means of sensing a pencil-mark already made on the card. This enabled cards to be marked by a pencil line to form and constitute the only original document, but in practice it may be found that foreign matter on the face of the card might also be sensed and lead to wrong punching. This disadvantage has been overcome by one manufacturer who has substituted pin holes for pencil-marks, sensing such holes pneumatically, the result being a correctly punched card even if the surface is soiled.

Although accountants in practice may not be directly concerned with all that was shown at this exhibition, it provided an excellent opportunity of becoming acquainted with developments in the production of records which accountants are called upon to examine.

Mr. T. W. South

Mr. T. W. South has taken up his duties as Secretary of the Incorporated Accountants' Research Committee. Mr. South took a B.A. (HONS.) degree at Emmanuel College, Cambridge University, in history and law and was called to the bar by the Middle Temple in 1938. He served during the war in the Royal Sussex Regiment and the King's African Rifles and since then has been a law tutor on the staff of H. Foulks Lynch & Co. He has contributed to professional and financial journals on legal and secretarial subjects of particular interest to accountants and company secretaries.

We wish Mr. South every success and happiness in his work with the Research Committee.

Shorter Notes

Life Assurance Allowances in Eire

The recent Budget of the Republic of Ireland introduced only one change. It provided for an increased income tax allowance on life policies with Irish assurance companies. The rate of relief will be three-quarters of the standard rate on premiums paid on such policies, instead of one half, as with policies with other companies (being policies taken out after 1916).

Shortage of American Accountants

A report of the Committee on Accounting Personnel, set up by the American Institute of Accountants last year with a special budget of \$40,000, says that firms of Certified Public Accountants throughout the U.S.A. are finding it impossible to obtain the new men they need. Among the steps recommended by the committee is the production of a motion picture for high school students, expansion of the Institute's programme for testing students' aptitude and ability in accounting, a survey of employment practices in the public accounting field, and publication of several new pamphlets giving information about the accounting profession.

Impersona non Grata

The name of a limited company was called in a case at Westminster County Court and when a man appeared in the witness box, Judge Blagden asked "Who are you?" Witness: "I am the limited company." Judge: "No, you're not. You are an individual." Witness: "We are a limited company." Judge: "Are you? I don't see any seal about you. You look like a man to me." The witness then said he was a director of the limited company and the case proceeded.—*The Star*.

Advisory Committee on Census of Production

A Statutory Advisory Committee has been appointed by the Board of Trade to advise on the preparation of forms and instructions and the issuing of any Order, for the census of production to be taken in 1955 in respect of the year 1954. The chairman of the committee is Mr. J. Stafford, C.B. Professor F. Sewell Bray, F.C.A., F.S.A.A., is a member.

Transport Arbitration Tribunal

The offices of the Transport Arbitration Tribunal were moved last month to 3, Dean's Yard, Westminster, S.W.1. (Telephone number, ABBey 6467).

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The Local Rates

IN 1913-14 THE LOCAL AUTHORITIES spent a round £100 million on their main services. By 1938-39 the figure had become nearly £400 million. And in 1950-51, it was almost £750 million. Outstanding debt of the local authorities was some £1,600 million in 1938-1939; it was over £2,250 million in 1950-51. What Mr. C. H. Pollard, O.B.E., F.I.M.T.A., F.S.A.A., in his presidential address at the recent conference of the Institute of Municipal Treasurers called the "almost monotonous regularity with which expenditure on government in general and that of local authorities in particular has been increasing" has produced widespread alarm and despondency about the future of local rates in this country.

Nor is it to be expected that, failing far-reaching measures of reform, there will be any relief for the hard-pressed ratepayer. Quite the contrary. An extrapolation of present trends shows that the burden will become ever heavier. Another speaker at the Municipal Treasurers' conference, Councillor James Beattie, chairman of the Finance Committee of the Wolverhampton Council, estimated that in 10 years' time the average rates would have increased by at least 7s. 6d. in the pound and central government taxation for local government purposes by some £260 million, which represents about 1s. in the pound on the standard rate of income tax. This, let it be noted, is the increase in average rates. In many authorities rates may be expected to increase far more.

This is an intolerable prospect and the central and local authorities should take urgent action now to enforce any economies in local expenditure which might be realised quickly and to tap any sources of local revenue which might readily be made available, while

the Government should also put in hand a major inquiry into longer-term reforms in the structure of local government finance.

Some of the steps which might come within the first part of this agenda were suggested by Mr. Pollard in his exhaustive and stimulating address. One item of expenditure upon which immediate economies could be made is housing. "Is it sound finance", asked Mr. Pollard, "to subsidise every house we let as local authorities—from taxes and rates—whether the occupier needs financial assistance or not?"

Mr. Pollard instanced two other items upon which there might be economies—economies in the true sense, not merely of savings, but of savings without any lowering of the standards of the services. These two items were old people's welfare and education. But he was rightly concerned not simply to list the services which most obviously lend themselves to economies, but to emphasise the importance of economy in general. "It behoves us", he said, "who are responsible for the expenditure of a large slice of the public money, to get the best out of it", and continued:

In public expenditure we must bring the responsibility in budgeting and in results right down to the individual and not let it be pushed on to an indeterminate "they". It is usually so much easier to say "yes" to expenditure than it is to say "no", but we must realise that we have for some time in one way or another been living to no small extent on resources created by our forbears, on whose thrift and foresight the character of this nation was built.

Mr. Beattie showed another aspect of the same lesson, when he said that recent increases in local rates had, he thought, frequently been as much of a

surprise to the members of local authorities as to their constituents. Few councillors really appreciated the long-term financial effects of their decisions: for example, capital schemes were often started without any consideration of their eventual repercussions. He considered there was need for long-term budgeting, so that local authorities would be able to plan their future expenditure.

There is one step which could be taken forthwith to bring additional revenue to the authorities. This is the reversal of the de-rating of industrial and certain other properties which was enacted in 1929. Mr. Pollard—who was the author, with two others, of a research study on this subject some years ago—spoke on it at the conference with restraint, feeling himself bound, as an administrator, not to comment upon a question of policy. There are weighty reasons, however, for the re-rating of industry in present circumstances, and it is to be hoped that the Government will speedily revoke its decision not to consider this move. Mr. Pollard, regarding himself as not being free to discuss re-rating as such, neatly put the case of the local authorities for an equivalent revenue by another route:

... de-rating, being of the nature of a subsidy, if it is to continue, should be borne by the general body of taxpayers and not in unequal shares by individual local authorities and through them by their particular ratepayers. The only satisfactory way to meet this, while de-rating continues, is for the Government, in effect, to become ratepayers to every authority for rates on the amount of rateable value lost by de-rating.

The second part of the agenda mentioned earlier will produce no early improvements in the finances of the local authorities, but it is nevertheless essential to future reforms. Firstly, the boundaries of local authorities, and their respective functions, must be reviewed and modified so as to produce a local government system which is both modern and economically administered: it is neither today. Secondly, there must be a thorough inquiry into the financial resources of local authorities. Possible new sources of revenue are constantly being suggested. Which of these are practicable and worthwhile? How can the excessive dependence upon the single source, the local rates, be mitigated?

Some Psychological Aspects of Accountancy

By L. R. C. HAWARD, D.PSY. (LEIDEN), M.A., B.SC.

KNOWLEDGE OF ONESELF IS NOT ONLY interesting, to judge by the popularity of the self-quiz and questionnaire, but informative as well. If there is any truth in the old adage: "The master knows his tools," then this is justification enough for bringing to the notice of the accountant some of the peculiarities of his tools. These are those mental faculties involved in the handling of number, from the basis of which the whole structure of accountancy has evolved. The purpose of this article, therefore, is to explain briefly some of the characteristics involved in manipulating and storing number in the mind.

Modern psychological science accepts the hypothesis of Immanuel Kant, that the mind at birth already possesses certain innate abilities. Although Sir Cyril Burt has shown in *The Factors of the Mind* that in the last analysis these abilities themselves may be only the superficial phenomena of something much deeper, psychologists find it expedient to speak of these abilities as real entities, potentially present in the child as soon as it is conceived, and awaiting development with other biological processes.

Of these innate faculties, number and language are the two most important. These are not equally distributed among the two sexes. Numerical ability is predominantly a masculine possession, and verbal ability essentially part of the feminine make-up. This is not to say that exceptions do not exist on both sides, but in terms of population each sex is heavily weighted towards its own specific ability. Although the struggle for sex equality is bringing more and more women into professions thought at one time to be exclusively in the masculine domain, it is unlikely that they will ever reach numerical equality in accountancy and similar professions. If they do, it will be found that the cause is economic rather than psychological.

By statistical techniques such as factor-analysis, the handling of number is now conceived as a primary function of the mind. This means that numerical activity has no influence on other factors, such as verballity, manual dexterity and so on, nor, in turn, is it influenced by these other factors. This is shown by the fact that the boy who gains top marks in arithmetic does not necessarily gain top marks in any other subject. On the other hand our capacity to employ number contributes towards our total intelligence; the boy who is good at sums is therefore found to be good at some other subjects as well. This fact applies especially to verbal ability, since the written word is the principal medium through which we obtain most of our knowledge. In advanced science, such as atomic chemistry or nuclear physics, in which concepts are mainly, if not wholly, mathematical in form, the good mathematician has the greatest knowledge.

Since a high level of arithmetical ability is concomitant with at least moderate success in other spheres of mental activity, the accountant is enabled to adapt himself to routines and techniques which are not strictly concerned with number. Furthermore, investigations such as those by F. C. Bartlett (*Social Psychology*) and others have shown that men in trades and professions which utilise one specific ability reach a higher standard of proficiency than those in trades utilising two or more. This is only what one would expect. The Olympic champion is better in his particular sport than the all-round athlete; the police court stenographer writes quicker shorthand than the general office clerk. It is for this reason that the accountant possesses a fundamentally higher level of accuracy than the mathematician, who would be the first to agree. The accountant is essentially an arithmetician and because of this is using a specific ability; mathematics calls for only

a moderate use of number, being primarily an abstract process of handling relationships, and relying on spatial conception to a considerable extent. Contrary to popular belief, there is a decided mental gulf between arithmetic and mathematics, bridged in latter years by that hybrid, the statistician. Statistics, indeed, borrows the skills and techniques of both sides, and leans equally on each for support. J. P. Guilford, in his *Statistics in Psychology and Education*, demonstrates the close tie that exists between accountancy and statistics.

This specificity of mental functioning which exists in accountancy is therefore its first psychological fundamental. The second refers to the attitude towards number which exists in the human brain. Logical science assumes all digits from one to nine to be of equal importance; man on the other hand shows a conscious preference for some numbers, and an unconscious preference for others. Some of these numbers are predominant universally, like the number seven, others are predominant within the individual only. Universal predominants such as seven do not necessarily appear to have a common origin, nor is the emotional impact the same. On the American continent, for example, they speak of "lucky seven," and this number has become a fundamental in dice games and other activities relying on chance. In the East, seven is a holy number, the Krishna, the seventh plane of being, and so on.

Apart from this, most individuals seem to have a favourite number which they consciously use when selecting the number of a raffle ticket, etc. In addition, each individual shows at the sub-conscious level a demonstrable bias towards and away from certain numbers. It is this latter aspect which is so important to accountants, for it is in these bias numbers where errors, if any, will occur. It is quite simple to prove

the existence of these biases, both conscious and unconscious, individual and universal. Write down the numbers one to nine, and then ask your colleagues to say the first number under ten that comes to mind; on a different occasion ask them for their favourite number. Put a tick under each number as it occurs and finally total them up to give what is called a frequency distribution. You will find that all numbers do not appear an equal number of times, as we would expect them to if they were randomly distributed by chance alone. Furthermore, you will find that the distribution of "first numbers" is different from that of "favourite numbers." It is possible to compare these distributions for various groups, and some distinct differences will be observed. The results of the professional group will differ from those obtained from the family and friends, so too will they from those of other professions and trades.

Now, to return to the bias. Professor W. Woodworth, in a long series of experiments (see *Psychology—a Study of Mental Life*) has shown that the brain tends to divert our remembrance of figures towards those for which a positive bias exists. That is, if adding up a long column of figures, and we have a bias for, say, five, then should the total include a four or six, we will unconsciously tend to put five instead. An examination of arithmetical work done to a strict time-limit, or under some form of stress, shows that repeated mistakes all reveal this tendency to change the correct figure into the bias one. The same effect is also observed in remembering a series of numbers. Other things being equal, and supposing the series contains no combinations which have a special meaning for the individual (such as car number, etc.) the bias number will gradually be substituted over a period of time for numbers adjacent in numerical value or similar in appearance (e.g. 3, 8, or 6, 9.) This substitution can be prevented in remembered series by "tying" the numbers together so that they possess some meaning, and dates are a great help in doing this.

The number of consecutive digits carried in the memory is known as the digit span, and this is the third fundamental in the handling of number. The digit span is again a contributor

towards total intelligence, in that as one ascends the intellectual scale, the digit span is found to get progressively greater. The actual number of digits that can be repeated immediately after presentation varies in each type of presentation. If the individual receives the series by hearing, his span will lie between zero and nine, according to his intelligence. The average auditory digit span is five, but training can of course produce some increase in the length, especially when the series is tied. The average figure of five refers to independent figures which the individual has not had time to tie in his own mind; as mentioned above, if one can group the series into well-known combinations it is possible to carry a much longer span in the memory, for example, 10661953. The visual span is always greater than the auditory span, since the eye itself will attempt to group the numbers as it moves along them.

This brings us to another fundamental—visual versus auditory memory. Most of us realise that some people seem to be able to learn and remember the printed page at first sight others can do so only after reading the matter to themselves. As far as intrinsic efficiency is concerned there is not much to choose between the two, but since we learn through our eyes more frequently than through our ears, the visual learners have that advantage. The good accountant is almost certainly a visual learner, although there are a large number of individuals who use a combination of both; they can usually be detected by the way they move their lips when, for example, adding up columns of figures. One advantage the person with auditory retention has, is the difficulty with which unconscious substitution takes place. This is principally due to the fact that since no mental image of the digits is formed, those which are similar in appearance cannot become confused. In the English language the names of the digits are distinct enough to avoid similarity, although it is instructive to note that confusion exists in people of other tongues. To give but one example, the first three digits in the German language, *eins*, *zwei*, and *drei*, all have a common diphthong which enables substitution to take place relatively easily.

Although these psychological aspects of number are not without interest in themselves, they have a practical value too, for they enable the vocational psychologist to differentiate between the applicants for a post requiring the maximum mental efficiency in regard to number. These fundamentals also form the basis for special selection tests used in guiding school-leavers and ex-Servicemen towards the vocation to which they are most suited. In addition, the more we know about ourselves the more efficient we become, for we are then in possession of our assets and our limitations, and can more easily find and correct our mistakes.

The accountant who is interested to read further in this subject will find the books named in this article very useful.

Unregistered Companies and the Companies Act

By the Companies (Unregistered Companies) Regulations, 1948, which were made under the Companies Act of 1947, the provisions of the Companies Act of 1948 in regard to prospectuses, allotments, annual returns, accounts and audit (as set out in the Fourteenth Schedule to the Act), were made to apply to certain corporate bodies not registered under that Act. These corporate bodies were those incorporated in and having a principal place of business in Great Britain, other than those incorporated by or registered under a public general Act of Parliament, those not formed for gain and those exempted by direction of the Board of Trade.

However, it has proved to be doubtful whether the Companies (Unregistered Companies) Regulations, 1948, remained in force after the coming into force of the Companies Act of 1948. The provisions of these Regulations have therefore been re-enacted. The opportunity has also been taken to consolidate them with those of the Companies (Unregistered Companies) Regulations, 1949, which substituted "principal office" for "registered office" where that term appeared in the relevant provisions of the 1948 Act.

The new Regulations are known as the Companies (Unregistered Companies) Regulations, 1953, and are published in Statutory Instrument No. 920 of 1953. (Her Majesty's Stationery Office, price 2d. net.)

Arbitration and Illegal Contracts

By W. H. D. WINDER, M.A., LL.M.

"THERE IS NOT ONE LAW FOR ARBITRATORS and another for the Court. There is one law for all. If a contract is illegal, then arbitrators must decline to award upon it just as the Court would do." In giving effect to this warning by Lord Justice Denning in the recent case of *David Taylor & Son Ltd. v. Barnett Trading Co.* (1953, 1 W.L.R., 562) the Court of Appeal has provided useful guidance for arbitrators, for in these days of price and other controls it is tempting for persons to resort to arbitration instead of to the Courts which would refuse to recognise contracts on grounds appearing to the parties to be technical merely. This case makes clear that parties to a contract which is illegal, on whatever ground, cannot enforce it by the indirect means of arbitration.

The defendants entered into a contract to sell to the plaintiffs 10,000 cases of Irish stewed steak at a price which was in excess of the maximum price permitted by a price-fixing Order made under the emergency legislation. Among the conditions of sale was an arbitration clause with the words:

any dispute arising out of this contract which cannot be settled by mutual agreement between the parties concerned such dispute to be referred to arbitration in London in the usual customary manner.

The defendants having failed to deliver the goods, the plaintiff buyers claimed damages for breach of contract and this dispute was referred to two arbitrators, one being appointed by each side. They met and as they failed to agree they appointed an umpire. As sometimes happens in cases of this nature, the arbitrators thereafter became, in a sense, representatives of the parties, and the decision of the dispute was left to the umpire. He was, no doubt, satisfied that the sellers had failed to make delivery. The price of the goods had gone up considerably, and he awarded that the sellers should pay to the buyers the sum of £11,000. The sellers successfully moved to have this award set aside on the ground that the contract was an illegal one.

Errors on the Face of Awards

The sellers argued, in the first place, that the award was bad on the face of it, in that it incorporated by reference and purported to enforce a contract that was illegal. It

was held, however, that there was no error in law on the face of the award because there was no incorporation by reference sufficient to identify the document said to be an illegal contract, and even if there had been identification of the documents, incorporation is not brought about by mere reference. Further, even if incorporated, the contract was not illegal on the face of it: the price quoted was not higher than the maximum price merely by reference to the contract itself, because the permitted prices varied according to the functions of the contracting parties, which did not appear on the face of the contract. An error in law on the face of the award means that you can find in the award or a document actually incorporated thereto, as, for instance, a note appended by the arbitrator stating the reasons for his judgment, some legal proposition which is the basis of the award and which you can say is erroneous.

The general legal position of awards was well stated in *Hodgkinson v. Fernie* (3 C.B. (N.S.), 189):

The law has for many years been settled, and remains so at this day, that, where a cause or matters in difference are referred to an arbitrator, whether a lawyer or a layman, he is constituted the sole and final judge of all questions both of law and fact. . . . The only exceptions to that rule are cases where the award is the result of corruption or fraud, and one other, which, though it is to be regretted, is now, I think, firmly established, namely, where the question of law necessarily arises on the face of the award, or upon some paper accompanying and forming part of the award.

But this general proposition must be understood subject to the personal duty of an arbitrator not to misconduct himself in the proceedings. It was on the ground of breach of this duty that the sellers succeeded in the recent case in escaping from the effects of the award which had been made against them.

Misconduct of Arbitrators

The umpire misconducted himself in law in that he failed to take into account the illegality of the contract. It sounds rather unpleasant to say of an umpire or of an arbitrator that he has misconducted himself, but the fact is that if an arbitrator assumes an excess of authority he may be

guilty of misconduct in the arbitration. This is certainly the case if he knows, or recognises, that a contract is illegal and thereafter proceeds to make an award upon a dispute arising under that contract. The two arbitrators were with the umpire for about an hour and the arbitrator appointed by the sellers pointed out that the contract was illegal and argued on that basis. Perhaps one may sympathise with the thoughts of the umpire when he had before him the case of the sellers, who said, in effect: "We made this contract; the price has gone up and we have not supplied the goods, but we are not liable if we make an illegal contract; it is a bad one for us, and so we are setting up that it is an illegal contract." But the fact remained that it was an illegal contract and it was not challenged by the other side. All the gentlemen concerned were engaged in the trade; they all knew that there were maximum prices, and they probably knew what the maximum prices were. When the point was taken that it was an illegal contract it was the duty of the umpire to pay attention to the fact.

As Lord Justice Singleton said:

The duty of an arbitrator is to decide the questions submitted to him according to the legal rights of the parties, and not according to what he may consider fair and reasonable under the circumstances. It looks to me as though the umpire thought it fair and reasonable that the sellers should pay the loss incurred by their breach of contract; equally it looks to me as though the arbitrator cannot have had any regard for the fact that the contract was an illegal contract.

In other words if an arbitrator or an umpire has knowledge of an illegality he cannot turn a blind eye to it. Take the case of a building contract which is illegal for want of a licence: the Court will not allow to stand an award of payment to the builder even if the arbitrator or umpire thinks it fair that he should be paid for his work.

In an old case, *Wohlenberg v. Lageman* (6 Taunt. 251), Sir Vicary Gibbs, C.J., said:

If an arbitrator acts directly against law, the Court will set aside the award; but if, in a matter mixed of law and fact, he mistakes some of the points, they will not therefore set aside an award.

In basing an award on a contract which is illegal, at least when it is known to be illegal, an arbitrator is acting directly against the law, and in that sense he is guilty of misconduct.

There is no very clear illustration of the application of this principle before the recent Court of Appeal case but that Court accepted the principle itself in *Smith, Coney & Barrett v. Becker, Gray & Co.* (1915, 112 L.T. 914). In that instance an effort was made to obtain an injunction to prevent the other party to a contract going to arbitration on a dispute which had arisen, and one of the grounds on which the action was brought for an injunction was that the contract between the parties was an illegal one. The attempt to obtain an injunction failed by reason of the fact that the Court did not find that the contract was illegal but Lord Cozens-Hardy, Master of the Rolls, in his judgment declared:

The plaintiffs in this action sought a declaration that the contract which I have just read was illegal by reason of the war. Of course, if it was illegal, then any question of arbitration under the contract would fail.

It is useless to argue that if parties agree

to submit to arbitration an illegal contract they cannot complain of the illegality and consequent lack of jurisdiction. "In arbitrations, where a protest is made against jurisdiction, the party protesting is not bound to retire; he may go through the whole case, subject to the protest he has made." The law as thus stated by Lord Selborne, L.C., in *Hamlyn v. Betteley* (6 Q.B.D. 63, 65) applied in *David Taylor & Son Ltd. v. Barnett Trading Co.* The effect of the arbitrator appointed by the sellers drawing attention to the illegality was to protest against the jurisdiction, and the fact that he did not retire from the arbitration at that moment did not prevent the point being raised in Court subsequently.

Knowledge or Otherwise of Illegality

As appears from the old case of *Wohlenberg v. Lagamen*, quoted above, an arbitrator is not expected to be infallible where facts are concerned or where questions of mixed law and fact exist. But is he expected to know the law, in the sense that if he did not know of an illegality then it can be

ignored? The fact that an arbitrator is not a lawyer learned in the niceties of illegal contracts is often one of the reasons why he comes to be appointed. It was not necessary for the Court of Appeal to give a final answer to this question because, on the facts, it was found that the umpire did have knowledge of the illegality. The whole tenor of the judgments, however, suggests that even then an award could not stand if questioned.

On this question of knowledge or lack of knowledge Lord Justice Denning, at least, had no doubts: "In my opinion," he said, "the Court has jurisdiction to set aside an award based on an illegal contract. It may be that the umpire, not being a lawyer, did not realise that the contract was illegal; it may be that the claimants themselves did not know it; and in that sense there was no misconduct or improper procurement, but, nevertheless, the award cannot stand. An arbitrator has no jurisdiction or authority to award damages on an illegal contract. It is obvious that the Court would not itself enforce such an award. Equally it should not allow it to stand."

Leaves from the Notebook of a Professional Accountant

Taxing the Foreigner—II*

By ERNEST EVAN SPICER, F.C.A.

FROM WHAT WE HAVE SAID SO FAR, OUR READERS MIGHT imagine that we place a somewhat narrow construction on the expression "taxing the foreigner." This, however, is not the case.

As a matter of fact, the direct taxation of the foreigner in this country is, comparatively speaking, a modern experiment.

Our practice in the past, which was far simpler and much more satisfactory, was to tax the foreigner, very indirectly, in his own country, without informing him of the fact and without the issue of any "buff forms." Unhappily, this method has become increasingly difficult as a result of the expansion of international trade and the spread of education amongst the peoples of the world, and in consequence we have been forced, more and more, to attempt blatant rather than subtle means of accomplishing the meritorious

object of taxing our foreign friends. To this fact must be attributed in large measure our repeated failures.

In the nineteenth century we chose the so-called "backward races" as the most promising objects of our benevolence and—*mirabile dictu*—accomplished our purpose to the satisfaction of all parties. Our merchants filled their vessels with brightly coloured beads, attractive cotton fabrics and other cheap merchandise and brought back rich cargoes of ivory, gold dust, skins, resin, cochineal, gums, ebony, tobacco and nuts in bulk.

Can anyone conceive a more merciful form of taxation?

The "extraction" was absolutely painless and the taxpayer went on his way rejoicing. It is true that the effective rate of this very indirect tax was 19s. 11½d. in the £, but lack of education relieved our foreign friends of that sense of injustice which embitters the soul of the present-day taxpayer, who is called upon to pay only 19s. 6d. in the £.

* The first article appeared in our issue of May 1953 (pages 146-9).

Are not the advantages of education grossly exaggerated and was not the poet Gray truly inspired when, on gazing upon Eton College, he exclaimed :

Where ignorance is bliss
'Tis folly to be wise.

This heaven-sent method of taxing the foreigner did not last very long. Too many merchants, competing against one another, sailed the seven seas in search of these happy hunting grounds, and soon the harvest of rich produce proved insufficient to go round. Moreover, in the scramble to secure the limited quantities available, prices soared, and two blue beads no longer sufficed to purchase valuable ivory. The profits, or in other words, the effective rate of taxation, steadily declined and it became evident that other methods would have to be employed.

Why rely on unaided nature to provide a crop of ground nuts and why depend on the crude methods of natives to satisfy our other requirements?

Would it not be far more profitable to arrange with the native chiefs for a lease of their territories in perpetuity, in order to develop the hidden resources of the land, with the help of native labour, and to introduce modern methods for preserving and increasing the supply of other necessities ?

Was not this the way to fulfil the ancient prophesy that :

The wilderness and the solitary place shall be glad for them
and the desert shall rejoice and blossom as the rose ?

In this manner arose a frenzied desire to develop the hidden wealth of the world, and pioneers journeyed to the remote corners of the earth, suffering in many instances untold hardships, to accomplish their purpose.

Nobody can deny that the development of the earth's resources is a duty imposed on civilised man by nature's stern laws, and nobody will seriously suggest that vast areas of the world's surface should remain undeveloped, merely because they happen to be occupied by backward races.

But let us leave generalities and consider the interesting question of the Chilean nitrate grounds, which formerly were very largely owned or leased by United Kingdom producers and which are no longer under British control.

ILLUSTRATION

Of all the non-metallic products of Chile, nitrate of soda, known as caliche in the crude state, is by far the most important.

Large deposits of this salt have been found in the provinces of Tacna, Tarapaca, Antofagasta and Atacama. The nitrate grounds lie between 50 and 100 miles from the coast at elevations over 2,000 ft. No rain ever falls in these districts, and it is because of this fact that the deposits of caliche still exist.

Whence came this salt is a matter upon which differences of opinion exist. The most probable explanation is that the deposits were hurled on to the land following some vast submarine upheaval, long before man made his appearance on the earth.

The nitrate grounds have been extensively surveyed and tested by numerous bore-holes for the purpose of ascertaining the extent of the layers of caliche.

The average depth of the layers is about six feet and the salt is found at or close to the surface. Accordingly, the producers have very accurate data regarding potential production. As the exact amount of caliche used in any year is known, it is a comparatively simple matter to ascertain the waste in any particular field. This is important, since as the nitrate grounds are purchased on the basis of estimated content, it may be said that a definite quantity of raw material is acquired for the purpose of working it up into a finished article.

It will be appreciated, therefore, that on the basis of a given annual output, the life of any nitrate ground can be estimated within a very narrow margin of error. In this respect it differs from a coal mine, the life of which cannot usually be estimated within a century or two.

Altogether the estimated tonnage of the known nitrate grounds of Chile is somewhere in the region of 250 million tons.

Now, in those parts of Chile where the nitrate grounds are situated, practically everything has to be imported.

It is clear, therefore, that in the days when most of the companies were registered in this country, and the board meetings were held in London, there was a steady stream of exports from Great Britain to Chile, to supply the needs of the colonies of people centred round the nitrate *oficinas*, or works.

This automatically created quite an important chain of subsidiary profits for this country. In the first place, the goods which were exported, which ranged from machinery to toothpicks, were manufactured in this country. Secondly, the goods were transported in British ships and freight was earned, and thirdly, the goods were insured, during transit, with British insurance companies.

One would have thought, therefore, that the British Revenue authorities would have given deep and grave consideration to any genuine grievance which the nitrate companies might entertain in the matter of taxation, more particularly bearing in mind that we were exploiting one of Chile's most important natural resources.

This, however, was not the case.

For years the companies had pressed for tax relief in respect of the exhaustion of the deposits of caliche, but the authorities were adamant in their refusal to entertain any such proposal.

That they were strictly within their legal rights in so refusing is unquestioned, since their interpretation of the law was confirmed by the Court in the case of the *Alianza Co. v. Bell*. The point to be remembered, however, is that apparently they never attempted to get the law altered until the year 1949, when, under Section 22 of the Finance Act, 1949, provision was made for a measure of depreciation in respect of foreign wasting assets.

This was in very truth a case of shutting the stable door very securely after Pegasus had flown to Valparaiso, since all the companies had left this country nearly twenty years previous to the passing of the Act.

As a matter of history, a law was passed in Chile in the year 1934, which created a State monopoly for all Chilean nitrate and iodine.

The loss of these important companies to this country was doubtless influenced, in no small measure, by a strong

national resentment of the Chilean people against the exploitation of their natural resources by a foreign power, but there can be no doubt that the incidence of British taxation proved an important contributory factor in fanning the nationalistic spark into a flame.

Quite apart from their refusal to allow depreciation on the wasting assets, the British Government pressed these companies to increase their output during the first world war, thus adding to the wastage, and then, to show that there was no ill-feeling, and to exhibit a truly Christian spirit, subjected the profits to Excess Profits Duty.

The conduct of these companies, in selling their interests to Chilean companies and thus escaping from the ever-increasing burdens of British taxation, was, of course, most reprehensible and cannot be excused on any grounds whatsoever, but looking at the matter dispassionately and asking ourselves what we should have done in similar circum-

stances, our sense of surprise may possibly be lessened, even though our feelings of disappointment continue unabated.

* * *

We could give many similar instances of unsuccessful efforts to tax the foreigner, but to what purpose?

We have said enough to indicate that, so far, the solution to the problem has eluded us and that all our past efforts have brought us loss rather than gain.

Apparently Mr. Greatheart is of the opinion that any future efforts will prove similarly disappointing, and that promises of heavy taxation will never attract the foreigner to our shores.

If this be the case, we are at a loss to imagine what will attract him.

Really, some people are never satisfied.

(Concluded)

Taxation Notes

Misunderstandings in Giving Under Deed of Covenant

MANY PUBLIC INVITATIONS TO SUBSCRIBE under covenant are misleading. A typical one is when an appeal states: "A covenant can be entered into by anyone who pays on part of his income at the standard rate of income tax." This implies that those who do not pay tax at the full rate are ineligible to give under deed of covenant. But that is not so.

It is perfectly clear that:

(1) a person is eligible to enter into a deed of covenant, even if no part of his income is taxed at the full standard rate;

(2) the amount so disposed, however, will be taxed on the donor at the standard rate, and therefore the donor will have to pay tax at the standard rate on the amount so given and this will result in an (unexpected) increase in his tax liability (but this can be avoided as explained in the next paragraph).

(3) The donor can avoid loss if he wishes to do so by adjusting the amount of his gift so that the net cost to him is the figure he wants it to be.

Illustration

A has an earned income of £600 a year, is married and has two children. His assessment to tax would be as follows if he had not covenanted any gifts. Tax is calculated at the rates proposed in the current Finance Bill.

Total earned income	£600
Less: Earned income allowance	£133
Personal allowance	£210
Children allowance	£170
	<u>513</u>
Assessable income at 2s. 6d. in the £	£87 = £10 17 6

If A gives £50 (gross), a year, by covenant, his assessment will be:

Total earned income	£600
Less: Charge under deed of covenant	50
	<u>£550</u>
Less: Earned income allowance (2/9ths of £550)	£122
Personal allowance	£210
Children allowance	£170
	<u>502</u>
Assessable income at 2s. 6d. in the £	£48 = £6 0 0

Income tax payable:	
at 2s. 6d. on assessable income of £48	= £6 0 0
at 9s. on £50 (the amount covenanted)	= £22 10 0
Total tax payable	<u>£28 10 0</u>

The cost to A of his donation is therefore:

His remittance of £50, less income tax at 9s. in the £	= £27 10 0
Plus the additional tax he has to pay (i.e. the difference between £28 10s. and £10 17s. 6d., the amount he would have been charged if he had not made a covenant)	= £17 12 6
	<u>£45 2 6</u>

The charity receives A's remittance of	£27 10 0
and the income tax reclaimed	£22 10 0
Total	<u>£50 0 0</u>

If A wishes to avoid having to bear the additional cost to him of £17 12s. 6d. (the additional tax shown above, for which he would not be liable if he did not make a covenant), he should make

an adjustment in his proposed covenanted donation, so that the total cost to him would be approximately the same. This can be effected by giving under covenant, not £50 (gross), but an appropriately smaller sum, say, £30 (gross). Then his assessment to income tax would be:

Total earned income	£600
Less: Charge under his deed of covenant	30
	<u>£570</u>
Less: Earned income allowance	£127
Personal allowance	£210
Children allowance	£170
	<u>507</u>
	<u>£63</u>

Income tax payable:	
at 2s. 6d. on £63	= £7 17 6
at 9s. on £30 (the amount covenanted)	= £13 10 0
Total tax payable	<u>£21 7 6</u>

The cost to A of his donation is therefore:	
His remittance of £30, less tax at 9s. in the £	= £16 10 0
Plus the additional tax he has to pay (i.e. the difference between £21 7s. 6d. and £10 17s. 6d., the amount he would have been charged if he had not made a covenant)	= £10 10 0
	<u>£27 0 0</u>

The charity receives A's remittance of	£16 10 0
and the income tax reclaimed	£13 10 0
Total	<u>£30 0 0</u>

although the total annual cost to the donor is only £27.

Not only is it permissible and practicable to give under covenant where the donor is not liable for income tax at the full standard rate, but there can be a substantial gain to the charity without any additional cost to the donor, since in the illustration, (which is one of a case where the benefit is in the lowest category), the former receives £30 while the latter bears only £27.

Land Tax Redemption

Where a company has sold property charged with Land Tax, the Revenue have regarded the purchaser as liable to pay the redemption money. The Law Officers have now considered the interpretation of Sections 39 and 40 of the Finance Act, 1949, and advised the Chancellor of the Exchequer that where a property was owned by a corporate or unincorporated body of persons, or by the sole trustee of a charitable or public trust on April 1, 1950, the Land Tax redemption money is, in law, payable by that body or trustee notwithstanding a subsequent sale.

As a result, in the case of sales between April 29, 1953 and January 1, 1954, of property so owned, the vendor and not the purchaser will be liable for the redemption money which will become payable after January 1, 1954. Cases already settled will not be reopened.

Deduction of Tax

It is opportune to remind readers of the effect of the change in the standard rate where effect could not be given to the reduction in the payment of dividends or interest early in the current year of assessment:

(a) For annual payments made out of taxed sources which became due before April 6, 1953, the proper rate remained at 9s. 6d. in the £, that in force when the payment became due.

(b) For rents payable on long leases, feu duties, bond interest, etc., due for the period ending on May 15, 1953, in respect of lands and heritages in Scotland chargeable under Schedule A, the rate is that in force at the beginning of the period, i.e. 9s. 6d.

(c) For annual interest falling due after April 5, 1953, and for preference dividends at a fixed rate payable after that date, the proper rate is 9s. If 9s. 6d. was deducted, it must be adjusted on the next payment. If no payment is made within a year, the payer is liable to the person entitled to the security or share at the date the payment is made good.

(d) For an Ordinary dividend, the rate of deduction is that in force when the dividend is payable. The net amount must be grossed-up for inclusion in the recipient's income as if tax had been deducted at 9s. throughout, even if 9s. 6d. was in fact deducted.

(e) In the case of a participating Preference dividend, the fixed rate portion is subject to (c) above, the fluctuating portion to (d) above.

(f) In the case of tax over-deducted on payments out of public funds and foreign dividends paid through an agent in the United Kingdom, the Commissioners of Inland Revenue are prepared to allow any over-deduction against a subsequent assessment, or to include it in the next refund of tax due to the recipient, or to make a separate repayment.

(g) If the wrong "net United Kingdom rate" has been shown on a voucher, it should be rectified by a statement in the next voucher.

Illustrations

	£	s.	d.
Fixed Preference Dividend paid April 12, 1953	100	0	0
Less: Income Tax at 9s. 6d.	47	10	0
	£52	10	0
Fixed Preference Dividend paid October 13, 1953	100	0	0
Less: Income Tax at 8s. 6d.	47	10	0
	£57	10	0
Interim Ordinary Dividend paid April 12, 1953	100	0	0
Less: Income Tax at 9s. 6d.	47	10	0
	£52	10	0
Final Ordinary Dividend paid October 13, 1953	200	0	0
Less: Income Tax at 9s.	90	0	0
	£110	0	0

The dividends will be included in total income as £100+£100+£95 9s. 1d.+£200 (since £95 9s. 1d. less tax at 9s. in the £ is £52 10s. 0d.)

Cases III, IV and V

The basis of assessment under these cases can be summarised as follows:

(1) No assessment can be made at all until income arises; it is not the acquisition of a source but the actual receipt of income that starts the tax machine.

(2) If income first arises on April 6, the first assessment will be on the actual income of the year of assessment and the next and succeeding assessments will be on the preceding year's income.

(3) If, as is normal, the income arises on some day other than April 6, the assessments for the first two years of assessment will be on the actual income of each year; thereafter the "preceding year" basis applies.

(4) In either case, the first assessment which is based on the preceding year's income can be reduced to the actual income of the year.

(5) On the person chargeable ceasing to possess the source, the assessment for the year in which that event occurs (the ultimate year) is on the actual income arising in that year, and the Inland Revenue may increase the assessment for the year before (the penultimate year) to the actual profits of that year.

(6) If, however, there was no income arising from the source in both the ultimate and penultimate years, the person chargeable can claim to be assessed as if the source

had ceased when income last arose, applying (5) above accordingly, provided the claim is within seven years from the end of the year of assessment in which income last arose.

(7) Where a person has held a source for six consecutive years without any income arising from it, he can claim to be assessed as if the source had ceased immediately before the six years, in which event assessments will be made as for a new source when income first arises again.

(8) Claims under (7) and (8) cannot be made where the income last arose before 1951-52.

(9) All the above applies to part of a source in the same way as it does to the whole source.

(10) If a source under Case IV or V becomes chargeable by deduction at source, that is treated as cessation.

(11) If the remittances basis applies, income arises when it is remitted.

Sur-tax on Controlled Companies

It was stated in the House of Commons by the Financial Secretary to the Treasury on May 7, 1953, that there had been no changes in the general practices regarding sur-tax directions. The statements made on June 11, 1947, June 22, 1948, and July 22, 1948, are therefore still effective. These were to the effect that in connection with the policy of dividend limitation, where a controlled company has made a dividend payment in past years which has been accepted by the Special Commissioners as reasonable, no objection will be taken by the Board of Inland Revenue to the continuance of the same rate of dividend, even on increased profits. If, in fact, no directions have been made for periods ending before June, 1947, the company may assume that its action was regarded as reasonable. If, for special reasons, no dividend at all was declared in the periods before June 1947, and directions were not made, the continuance of the policy of no dividends will not be challenged.

The statements dealt only with *bona fide* cases and do not apply where there are avoidance devices, such as the withdrawal of money from the company in the guise of capital.

Where liquidation takes place for the purpose of reconstruction or amalgamation, and not for the purpose of withdrawing funds from the company, it is not the practice to make a sur-tax direction in respect of the final period to the date of winding up.

Building Society Interest and Age Relief

Hitherto, as has been illustrated in these columns from time to time, in marginal age relief cases, where the total income included building society interest, a concession has allowed reduced rate relief on such interest. This concession does not apply for 1953-54 onwards.

Appeal Forms

The issue by the Revenue of forms for Excess Profits Levy and profits tax computations was evidently the first step towards more standardisation. The latest one is a form for giving notice of appeal under Schedule D, copies of which can be had from the Inspector of Taxes. The form is in duplicate, so that a carbon copy can be readily made for the accountants file.

It is recognised that in present conditions, it is often impossible to agree Schedule D liabilities based on accounts before the signature of the assessment books by the Commissioners, and the procedure now suggested will lessen unproductive work in the offices of both accountants and tax districts.

Where the liability is likely to be agreed before mid-October, the

accountant is asked to send in his client's return completed in other respects with a note in the "Trade, Profession or Vocation" space. "See accounts (to be) supplied to Inspector." This enables the other income and personal reliefs to be dealt with and so limits the work after assessment.

The standard appeal form in place of a letter will ease the Inspector's routine. The printed grounds of appeal are:

It is not in accordance with the accounts—

- (a) Already supplied to you;
- (b) enclosed herewith
- (c) which should reach you by . . .

space is given for adding others.

There is also printed on the form :

My client is being recommended to pay—

- (i) £ on account.
- (ii) the first instalment in full if the exact liability has not been agreed upon by the time that the tax becomes due.

Deletions of the inappropriate words can be made by the typist or by hand.

Lifts in Retail Shops

Whether or not a lift in a retail shop qualifies for a capital allowance depends on whether it is not or is regarded as part of the building. If it qualifies—as it usually does—the basic rates of

annual allowance are $7\frac{1}{2}$ per cent. for electrically driven lifts and 5 per cent. for those hydraulically or hand operated.

A lift regarded as part of the building would attract no allowances. Any dispute about whether it is or is not part of the building would have to be settled on appeal in the usual way.

Section 474 of the Income Tax Act, 1952, provides that no non-rateable machinery shall form part of a building for the purposes of ascertaining the annual value of the property. The profits from letting any machinery not taken into account for Schedule A are assessable on the lessor under Case VI of Schedule D. This becomes alternative to Case I, *North Central Wagon & Finance Co. v. Fifield* (1952, 31 A.T.C. 492). The Section defines non-rateable machinery as that not taken into account for rating as a result of Section 24 (1) (b) of the Rating and Valuation Act, 1925. That section and the Third Schedule to the said Act deem lifts and elevators mainly or usually used for passengers to be part of the building. In *Pearl Assurance Co. v. O'Callaghan* (1943, 25 T.C. 211, 217) a lift in a block of flats was held to be rateable machinery as part of the building.

The company had always kept its passenger-carrying business (including the ships which are its fixed capital assets) separate from its shipyard business

and it was contended that this concluded the case in favour of the appellants. A unanimous Court of Appeal rejected this contention and upheld the decisions of the Commissioners but the judge, Jenkins, L.J., giving the leading judgment, differed, however, from Harman, J., who had concluded that it was all one business and preferred to treat the case as one of separate businesses. Evershed, M.R., agreed with him that the General Commissioners "must clearly be taken to have found or to have accepted the evidence that there were two businesses," but did not regard this as conclusively showing that the ships in question were nothing but the fixed capital of the one business which used them. Hodson, L.J., whilst agreeing, did not specifically mention his views on this point but, referring to the observations of Harman, J., upon the acceptance of the statement of Mr. Ford, which contained

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

INCOME TAX

Trade—Business of carrying passengers on sea trips—Auxiliary ship-building—Cessation of sea trips in 1939—Ship repairing for Admiralty—After close of war purchase of ships to resume sea-trip business—Sales of ships—Purchases and sales of other ships—Whether profits from sales in the way of trade.

Bolson & Son v. Farrelly (Ch., March 13, 1953, T.R. 89), was noted in our issue of March last (page 91). The General Commissioners had held that the profits of the firm arising from the sale of ships in the circumstances described in the previous note, "were liable to tax" and it had been

agreed that this finding meant that the sales took place in the way of trade. Harman, J., had upheld the finding as one of fact supported by evidence.

The difficulty in the case arose from the fact that the evidence before the Commissioners had consisted entirely of a statement in writing, by a Mr. Ford, the firm's accountant, and of a tabular statement put in by the Inspector, showing the figures relating to the various transactions referred to in Mr. Ford's statement. The latter had been put in without objection, and the Commissioners had said "we accepted this 'evidence'." At the close of the statement, Mr. Ford had said:

"not only statements of facts but also contentions of law," said:

I think, with all respect to the learned judge, that he appears in the language of his judgment to have gone rather far in discouraging parties in cases of this kind from agreeing the facts . . . and I see no objection to facts being contained in a statement and admitted. . . . I think that it would be a pity if parties were encouraged to incur unnecessary expense in investigating facts which could properly be agreed.

In the writer's opinion, in the case of appeals to General Commissioners, it would be beneficial if the course were more widely followed.

Income tax—Charitable exemption—Association formed to encourage all forms of athletic sports and general pastimes in City of Glasgow Police Force—Profits of annual sports meeting—Whether Association a charity—Difference between English and Scots law—No evidence of English law—43 Eliz. c. 4 (Charities)—Income Tax Act, 1918, Section 37 (1) (b)—Finance Act, 1921, Section 30 (1) (c).

C.I.R. v. City of Glasgow Police Athletic Association (House of Lords, March 9, 1953, T.R. 49) was the subject of an extended note in our issue of May, 1952 (page 167). The Special Commissioners, guided by decisions of the English Chancery Division, had held that the respondent association was a "body of persons established for charitable purposes only" and so within the exemption given by Section 37 of the Income Tax Act, 1918, the beneficiaries of the charity being the public through the creation and continuance of a happy and contented police force. On appeal, the judges of the First Division of the Court of Session, faced with decisions of the English Court repugnant both to Scottish law and to common sense, had sought refuge in evasion. Declaring that the English law on the matter was foreign law in Scotland, they held that as such it had to be proved before them by evidence what the English law was and this not having been done they had no alternative but to dismiss the Crown's appeal. This attitude left the latter no course other than to take the case to the House of Lords. There, the usual panel of five included two eminent Scottish judges, Lord Normand, a former Lord President of the Court of Session, and Lord Reid. On the first of the two questions before their Lordships there was unanimity that the Scottish judges had failed in their duty; but although the constitutional point was scarcely one to have much popular

appeal in Scotland it is, perhaps, not without significance that the actual rebukes administered came wholly from Scottish lips.

Lord Normand, amongst other things, said that, whilst he felt a certain sympathy with the Scottish judges:

Nevertheless, I must say at once that there has been a failure here to exercise a jurisdiction which the Court had a plain duty to exercise.

Lord Reid was equally definite. Referring to the decision in *Special Commissioners v. Pemsel* (1891, A.C. 531; 3 T.C. 53) he said:

It has commonly been accepted since *Pemsel's* case that the words "charity" and "charitable" in income tax legislation must be interpreted according to English law, but I do not think that that is a full or accurate statement of the position. In my judgment, holding that those words must be interpreted according to English law must mean that it is to be held that Parliament enacted that on that matter the law of England should also become the law of Scotland; and it must follow that Parliament must be held to have placed on the Courts of Scotland the duty of administering what was formerly only the law of England, but what has been made by Act of Parliament the law of both countries . . . and the duty so placed on the Scottish Courts can now only be removed by legislation.

Upon the factual question before them, whether the Association was "a body of persons established for charitable purposes only," their lordships—Lord Oaksey dissenting—held that it was not, and reversed the decision of the Special Commissioners. Whilst the speeches in the case were both interesting and important, that of Lord Cohen should prove of special value on the subject. Referring to the authorities, he said:

From them certain principles appear to be settled.

- (1) If the main purposes of the body of persons is charitable and the only elements in its constitution and operations which are non-charitable are merely incidental to that main purpose, that body of persons is a charity notwithstanding the presence of those elements—*Royal College of Surgeons v. National Provincial Bank*.
- (2) If, however, a non-charitable object is itself one of the purposes of the body of persons and is not merely incidental to the charitable purposes, the body of persons is not a body of persons formed for charitable purposes only within the meaning of the Income Tax Acts—*Oxford Group v. C.I.R.*
- (3) If a substantial part of the objects of the body of persons is to benefit its own members, the body of persons is not established for charitable purposes only—*C.I.R. v. Yorkshire Agricultural Society*.

As to the distinction between the first and third class of case, Lord Cohen quoted from Lord Atkin's judgment in the case last mentioned, the end of the quotation being:

I think the mere fact that the members are benefited in the course of promoting the charitable purpose would not prevent the society being established for charitable purposes only.

In effect, the majority held that the benefit to the members was not merely incidental but substantial and so the "only" criterion was not satisfied. The decision, by restoring common sense to its proper place on the subject, may go far to placate the Scottish judges.

Income tax—Letting out wagons on hire-purchase and also letting out wagons on "simple hire"—Simple hire wagons acquired by the Transport Commission—(1) Whether one or two businesses—(2) Whether letting on "simple hire" assessable under Case I or Case VI—Income tax Act, 1918, Schedule A, No. 1, General Rule: Schedule D, Cases I and II, Rule 5—Finance Act, 1919, Section 18—Rating and Valuation Act, 1925, Section 24, Schedule III—Finance Act, 1936, Section 22 (Income Tax Act, 1952, Section 474).

North Central Wagon and Finance Company, Ltd. v. Fifield (C.A. March 18, 1953, T.R. 105), was noted in our issue of January 1953, (page 20). It was a case in which the appellant company had both let out wagons on hire-purchase and let out wagons on "simple hire." Both sides of the business had been carried on by the same staff and under the same roof. On or about January 1, 1948, by virtue of the Transport Act, 1947, the whole of the "simple hire" wagons became vested in the Transport Commission, and it was claimed that there had resulted the permanent discontinuance of one of two businesses carried on by the company. The General Commissioners had found that there was only one business; and Harman, J., had upheld their decision as a finding of fact supported by evidence. A unanimous Court of Appeal affirmed these decisions, Jenkins, L.J., giving the only judgment on this point and also on the second purely technical issue.

In neither of the judgments was the number of wagons let out on hire-purchase contracts mentioned with the result that until the Commissioners' "case" is available the reader does not know in what proportions the business of the appellant company was divided. In the judgment of

Jenkins, L.J. it was stated that on January 1, 1948, over 10,000 wagons let out on simple hire had become vested in the Transport Commission. The crucial part of his judgment on the point was:

I should have thought that the business of letting out wagons on simple hire is a business so closely allied to letting out wagons on hire-purchase, or, indeed, to any business of dealing in wagons or other vehicles that in order to make out the existence of two separate businesses, it would be necessary for the company to adduce some clear evidence of separation between the two. That, so far as I can see, the company entirely failed to do.

The Acts make no provision for adjustment of basis when part of a business is permanently discontinued, irrespective of whether that part is a major or minor part or whether it has produced up to discontinuance large profits or heavy losses. In the present case, it would seem to be possible that what the company lost by the Act of 1947 it may recover in whole or part by virtue of the de-nationalisation legislation of 1953.

The second point in the case was not taken before the General Commissioners but was a purely legal argument based on a defect discovered in Section 22 of Finance Act, 1936. Construed by itself, the effect of that Section would have been to transfer the profits arising from letting non-rateable machinery on simple hire from Case I to Case VI of Schedule D; and the appellant company would have got by a side-wind the relief which it had failed to get on the discontinuance arguments. The Section, as explained fully in our previous note, was intended to restore the substantial uniformity, which, prior to the Rating and Valuation Act of 1925, had existed between annual values for rating and Schedule A, by excluding from the latter machinery which had previously been included but which had become non-rateable under the 1925 Act. Although, in terms, the transfer to Case VI applied to all non-rateable machinery let out, Harman, J., had held that Section 22 had to be read in its context and only applied to what had previously been included in annual value under Schedule A. The Court of Appeal upheld this view, Jenkins, L.J., analysing the legal position fully and, in rejecting the interpretation sought, said in the course of his judgment:

For the result would be that in every case in which any trader, as part of his trading activities, hires out goods to other persons, then his hiring operations must be excluded from his trade in the income-tax sense and treated specially as a separate source of income under Case VI of Schedule D.

with revolutionary and incalculable consequences.

PROFITS TAX

Profits tax—United Kingdom company director-controlled—Eire company formed to carry on similar business—Shares in United Kingdom company held by Eire company—Loan to latter by former—Whether loan an amount applied for “benefit of any person”—Finance Act, 1947, Sections 35, 36(1)(c).

C.I.R. v. Chappie, Ltd. (C.A., March 11, 1953, T.R. 69), was noted in our issue of September 1952 (page 315), where it was shown how the provisions of Section 36 of Finance Act, 1947, by which an amount applied by a director-controlled company for the benefit of a member of the company “whether by way of remuneration, loans or otherwise” was to be deemed to be a “distribution” for the purposes of the Profits tax had been held to apply to a loan transaction which could not have been intended to be caught. Danckwerts, J., had reversed the decision of the Special Commissioners who had found that the words “applied for the benefit of” meant something “in addition to the normal convenience provided by ordinary commercial intercourse”; and a unanimous Court of Appeal approved his decision. In the writer’s previous note he said he found it difficult to comprehend, looking at the matter, as it seemed it must be looked at, solely from the borrower’s standpoint at the time of the contract, how any loan could be other than a “benefit” to him. The Master of the Rolls, in his judgment, said much the same thing:

It is, I think, a truism that a person receiving a loan, albeit of a commercial character, can be said to receive a benefit. I have already so stated, and I do not think that *dicta* from speeches in the House of Lords are needed to substantiate that proposition.

Applying, successfully, for leave to appeal to the House of Lords, leading counsel for the company said:

Listening with care, as I did, to your lordship’s very full judgment it does involve, as I understand it, that every payment made to a member of a company of any sort or description must be a distribution.

This, of course, would not apply to payments to members allowable as deductions in arriving at the profits of the company. Nevertheless, the law at the moment appears to be so unreasonable that a legislative amendment would seem to be the only fair solution. Any expectation that a single company will incur the heavy cost of an appeal to the House of Lords on an issue of importance to every director-controlled company, but where success would be, to say the least, doubtful, is scarcely likely to be realised; and even if it were, the inevit-

able delay would be a nuisance. And, if no appeal is made, failing legislation, the inequity will remain.

Profits tax—Distribution charge—Company resident in United Kingdom—Whether ordinarily resident abroad—Whether exemption from distribution charge only applies to persons non-resident in United Kingdom—Income Tax Act, 1918, Cases I and II, Rule 12—Finance Act, 1937, Sections 19, 20—Finance Act, 1946, Section 44—Finance Act, 1947, Sections 30, 31, 39.

Union Corporation, Ltd. v. C.I.R. Johannesburg Consolidated Investment Co., Ltd. v. C.I.R. Trinidad Leaseholds, Ltd. v. C.I.R. (House of Lords, March 9, 1953, T.R. 61) were three cases heard at the same time and noted in our issues of December, 1951 (page 456) and August, 1952 (page 280). In each case exemption from distribution charge under Section 39(1) of the Finance Act, 1947, was claimed on the ground that although admittedly resident within the United Kingdom the company was also resident outside the United Kingdom. The Special Commissioners had held that whilst residence outside the United Kingdom would, if established, entitle a company to relief under Section 39(1) they were on the authorities precluded from holding that any one of the three companies was ordinarily resident both outside and inside the United Kingdom. Harman, J., whilst differing from the Special Commissioners on both points, nevertheless arrived at the same result, holding that Section 39(1) did not apply to a company ordinarily resident outside the United Kingdom if it were also, during the same period, resident inside the United Kingdom and that as regards the question of dual residence the Special Commissioners had misunderstood the authorities. He held that whilst the facts found established dual residence in the case of the two companies operating in South Africa, the position of the Trinidad company where there appeared to be active control by the United Kingdom board was different and that but for his conclusion regarding Section 39(1) he would have remitted the case of that concern to the Special Commissioners for further findings. The Court of Appeal had agreed with Harman, J., as to the limitations of Section 39(1) but not with all his reasoning. On the subject of dual residence they saw no reason to distinguish the Trinidad case from the other two.

In the House of Lords, the decision of the Court of Appeal was unanimously approved, it being held that the relief given by Section 39(1) applied only to companies resident outside the United Kingdom which

were not also resident within it. Lord Cohen gave the only speech and, seeing that the case was one of the most difficult and obscure of recent years, no reader will complain of this. He agreed with the Master of the Rolls that, as by Section 19 of the Finance Act, 1937, appellants as ordinarily resident in the United Kingdom were made subject to the Profits Tax, if Section 39(1) of the Finance Act, 1947, was intended to give exemption to persons resident both inside and outside the United Kingdom, the Legislature would have said so in terms. He also agreed with the Master of the Rolls that the draftsman had made a slip where, in Section 39(2)(a) he used the words: "ordinarily resident in the United Kingdom," and followed this in Section 39(2)(b) by using the words: "not ordinarily resident in the United Kingdom" to express the opposite without looking back to see what form of words he had used in Section 39(1) viz.: "Ordinarily resident outside the United Kingdom" to describe the same thing. It had been argued that as a company could reside both inside and outside the United Kingdom the change of terminology implied a change of meaning which would bring dual residence cases within the Section 39(1) exemption. Having decided the case upon Section 39(1), no opinion was expressed on other issues.

SPECIAL CONTRIBUTION

Special contribution—Investment income—(1) Rent of farm paid by farmer to his wife—Whether for purposes of Special Contribution—Investment income of the farmer—(2) Rent paid to farmer by partnership in which he is partner—Whether investment income of farmer—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 10, Finance Act, 1948, Sections 47, 48, 49, 50.

Worth v. C.I.R. (C.A., March 17, 1953, T.R. 99), was the subject of a full note in our issue of January last (page 21). The Special Commissioners had decided for the Revenue on the first issue and for the appellant on the second, whilst Harman, J., had upheld the first and reversed the second finding. A unanimous Court of Appeal affirmed his decision upon the first but reversed that upon the second issue, thus restoring the findings of the Special Commissioners. Singleton, L.J., gave the only judgment. Upon the first point, by Section 48 of the Finance Act, 1948, "income from

any source and total income" had to be ascertained as for sur-tax but by Section 49(1) "investment income" was to mean income other than "earned income," whilst by Section 49(2)(b), income arising to traders from property occupied by them and used for trade purposes was to be excluded. The Court, agreeing with the findings of the lower tribunals, held that the rent paid to the wife was not the husband's income, nor did it arise to a person carrying on the trade or vocation of farming; nor did it arise to a person carrying on a trade, profession or vocation from property occupied and used for the purposes thereof. The problem might, it would seem, have been put in another way. The inclusion of the wife's income in the income of the husband for sur-tax arose from Rule 16 of the General Rules, Income Tax Act, 1918. But for this rule, the rent of the farm would have been the investment income of the wife for income tax. Assuming she had no other income, the construction contended for would, in effect, mean re-writing Rule 16 so that, in the circumstances, it would read "the investment income of a married woman living with her husband shall be deemed the earned income of her husband," the process of "deeming" having changed its nature.

The second point in the case was at once both interesting and difficult. As pointed out in the previous note, the regarding of the annual value under Schedule A of property occupied for trade purposes by an owner-occupier as "unearned income" is factually absurd although, for income-tax and sur-tax, this arises from the way "earned income" was defined in Section 14(3)(c), Income Tax Act, 1918. In the *Gibbs* case (1942, A.C. 402; 21 A.T.C. 1; 24 T.C. 221), Lord Simon had, however, pointed out that in English law it was not correct to say that a firm carried on business, the members of the firm carrying on business in partnership under the name or style of the firm. Freed by Section 49(2)(b) from the "earned income" limitation imposed by Section 14, the Special Commissioners had held that the fact that his son was also in occupation of the farm and a joint assessment fell to be made in the partnership name under Schedule D, did not debar the appellant from relief in respect of the net annual value of the land owned and farmed by him. Harman, J., had upheld the Revenue view that Mr. Worth did not occupy the partnership farm but that he and another person, did. The Court, restoring the earlier decision, gave leave to appeal on the issues in the case to both sides.

The position on the second point would have been even more interesting if, as is often suggested, property occupied for business purposes were excluded from

Schedule A and the whole of the profits dealt with under Schedule D.

STAMP DUTY

Stamp duty—Duty on capital of companies—Relief from duty in respect of reconstructions or amalgamations—Acquisition of shares of companies incorporated in Northern Ireland—Whether exemption available—Stamp Act, 1891, Sections 13, 55, 112, 113—Finance Act, 1895, Section 12—Finance Act, 1927, Section 55—Finance Act, 1930, Section 41.

The Nestlé Company, Ltd. v. C.I.R., (C.A., March 10, 1953, T.R. 79), was noted in our issue of December, 1952 (page 345). In 1927, there was thought to be great virtue in the big unit of industry and in order to encourage and facilitate what was called "rationalisation" reliefs from stamp duties were given subject to specified conditions. By Section 55 of the Finance Act, 1927, when the Commissioners of Inland Revenue were satisfied that in connection with a scheme of reconstruction or amalgamation a company was to be registered or incorporated or had increased its capital with a view to the acquisition either of the undertakings of, or of not less than 90 per cent. of the issued share capital of, "any particular existing company," then, subject to further conditions, the capital duty imposed by Section 112 of the Stamp Act, 1891, was not to be payable on:

an amount equal to the amount of the share capital of the existing company in respect of which stamp duty has been paid (our italics).

and an additional relief, not under consideration in the case, was given in respect of "conveyance or transfer on sale" *ad valorem* duty. When, however, Section 55 was drafted it was overlooked that capital duty was first imposed in 1888 so that in the case of an old company whose capital had all been issued earlier than 1888, no capital duty would have been paid; and, furthermore, where relief had once been given under Section 55, a further amalgamation or reconstruction would not qualify for relief. By Section 41 of Finance Act, 1930, the latter defect was remedied retrospectively; and, as from the commencement of the Act, Section 55 was to have effect as if the words: "in respect of which stamp duty has been paid" were not contained therein.

Special Commissioner of Income Tax

Mr. George Basil Todd-Jones has been appointed as Presiding Special Commissioner of Income Tax in succession to Sir George R. Hamilton who is retiring from the public service. Mr. F. N. D. Preston, whose appointment as successor to Sir George Hamilton was previously announced has had to decline the appointment for reasons of health.

The appellant company had in March 1951 increased its capital by £3,410,000 in shares of £1 in order to acquire the shares of four companies, of which two had been incorporated in England and two in Northern Ireland. It was not disputed that relief under Section 55 was due in respect of the two English companies but it was contended by the Revenue that the words "any particular existing company" were restricted in application to companies incorporated under the English Companies Act, 1948, and did not extend to companies incorporated under the Northern Ireland Companies Act, 1932. By the Government of Ireland Act, 1920, the Northern Ireland Parliament was given powers to make laws in regard to certain matters, thereby excluding the Parliament of Westminster; and the regulation of joint stock companies was

one of them. Powers were also given by the Act to levy certain duties and taxes, including stamp duties, and in 1922, by an Order made under the provisions of the 1920 Act, the Stamp Act, 1891, was made applicable to Northern Ireland and became, with modifications, a North of Ireland Act. Danckwerts, J., had upheld the view of the Commissioners of Inland Revenue; and a unanimous Court of Appeal affirmed his decision. The Master of the Rolls, in a carefully reasoned judgment pointed out, *inter alia*, that the word "company" in "any particular existing company" "appears unheralded in any way" in the 1927 Act. Basing his view on the Stamp Act, 1891, he held that it meant a body corporate incorporated either under letters patent of Her Majesty or under the laws of Great Britain, exclusive of Northern

Ireland subsequent to the 1920 Act. Jenkins, L.J., agreeing with the Master of the Rolls pointed out the practical difficulties of applying Section 55 to other than companies incorporated under the laws of the United Kingdom or those of countries, like Australia and India, which had adopted the principles of the English Companies Acts. Hodson, L.J., said that:

One expects to find in legislation of a fiscal character that the word "company" is intended to include companies subject to the laws of this country and not foreign companies. Sections 112 and 113 of the Stamp Act, 1891, which are sections imposing the duty, clearly do not apply to companies outside the United Kingdom

and agreed generally. The curious feature is that in view of the varied meanings of the word "company" it should appear in Section 55, "unheralded in any way."

Tax Cases—Advance Notes

By H. MAJOR ALLEN

COURT OF APPEAL (EVERSHED, M.R.;
JENKINS and HODSON, L.J.J.)

Chappie, Ltd. v. C.I.R.

The facts in this case and the decision of Danckwerts, J., were reported in ACCOUNTANCY for September 1952 (page 315).

The Court of Appeal affirmed the decision of Danckwerts, J.

CHANCERY DIVISION (UPJOHN, J.)

Cain v. Schofield. May 4, 1953.

Facts.—The appellant, a bookmaker, in support of his appeal against an assessment of £500, put before the General Commissioners accounts showing an income of £667. The Commissioners were of opinion that he had not disclosed to his accountants all relevant details of his transactions; accordingly they rejected the accounts and increased the assessment to £2,000.

Decision.—Held, that there was evidence upon which the Commissioners could properly have acted as they did.

Jennings v. Middlesbrough Corporation.

Facts.—The Corporation owned the town hall, primarily used for civic functions. The hall was let to various organisations from time to time for the holding of meetings. In addition the Corporation organised dances in the hall about three times a week, for which it provided a band, lighting, heating etc. It also provided refreshments at an extra charge. Further, the Corporation organised roller-skating in the crypt of the hall, charging for admission and providing refreshments at an extra charge.

Upon appeal against Schedule D assessments in respect of the profits from letting the hall, and from dancing and roller-skating, the Corporation contended that the profit in question should be apportioned between:

- (a) that part arising from the carrying on of the activities in question, and
- (b) that part arising from the Corporation's right of property in the hall.

The Revenue contended that no such apportionment was justified and that the only allowance to be made in respect of the Corporation's right of property was a deduction of the net annual value under Rule 5, Cases I and II, Schedule D.

The Special Commissioners decided in favour of the Corporation.

Decision.—Held, that as the profits were assessable under Case 1, no apportionment was competent, and that the only deduction to be made was that provided for by Rule 5.

C.I.R. v. Universal Grinding Wheel Co., Ltd. May 7, 1953.

Facts.—The Preference shares of the company were redeemable at a premium of 7s. per share. In 1947, the company redeemed the shares, partly out of the proceeds of a new issue and partly out of profits, the premium being paid from the latter source. The Revenue contended that the only amount applied, for the purpose of the proviso to Section 36(1), Finance Act, 1947, in reducing share capital was 20s. per share,

and that the 7s. premium constituted a distribution for profits tax purposes.

The Special Commissioners rejected the Revenue's contention.

Decision.—Held, that the Special Commissioners' decision was correct.

Edwards v. Bairstow and Harrison.

April 28, 1953.

Facts.—In 1946 the Respondents bought certain plant with the object of resale at a profit. Although they had hoped to sell it in a single lot, they were ultimately obliged

to dispose of it by five separate sales over the period from 1946 to February, 1948. The General Commissioners decided that the transaction was an isolated one, and that the resultant profit was not taxable.

Decision.—The case was remitted to the Commissioners to hear further evidence and to decide whether the transaction, although an isolated one, was nevertheless an adventure in the nature of trade.

Stokes v. Bennett. May 21, 1953.

Facts.—After obtaining a decree of divorce against her husband, the appellant obtained

an order for maintenance at the rate of £22 per month free of tax. At the time, the husband was resident in the United Kingdom, but in May, 1946, he went to work in Brazil, where he had resided ever since. He continued to make the payments for which the order provided, but there was no evidence that his income had suffered British income tax in the relevant years.

The wife was assessed upon the payments under Case III of Schedule D.

Decision.—Held that the assessments must be discharged as the only possible inference to be drawn from the facts was that the husband had deducted tax from the gross amount due from him upon a proper construction of the order.

The Student's Tax Columns

THE NEW RATES OF TAX

IT WILL BE A USEFUL REFRESHER, AS WELL AS GIVING EMPHASIS to the new rates of tax and reliefs, to examine some computations for 1953-54.

(1) Age Relief

	Without age relief	With age relief
Earned income	£ 250	£ 250
Unearned income ..	300	300
	550	550
Earned income relief 2/9ths	56	—
Age relief, 2/9ths ..	—	123
Personal relief (married)	210	210
	266	333
	£284	£217
	£ s. d.	£ s. d.
£100 @ 2/6 =	12 10 0	£100 @ 2/6 = 12 10 0
150 @ 5/- =	37 10 0	117 @ 5/- = 29 5 0
34 @ 7/- =	11 18 0	
	£61 18 0	£41 15 0

Age relief takes the place of earned income relief where applicable, though it is common for the Revenue to show it as : Earned income relief, £56 ; Age relief, £67.

The extra relief is on £67, which means that £33 charged at 5s. and £34 charged at 7s. is not payable, a total of £20 3s.

(2) Marginal Age Relief

	Without age relief	With age relief
Total income (all unearned)	£ 640	£ 640
Margin	40	40
	600	600
Age relief, 2/9ths ..	—	134
Personal relief	210	210
	£430	£256
	Without age relief	With age relief
	£ s. d.	£ s. d.
£100 @ 2/6 =	12 10 0	£100 @ 2/6 = 12 10 0
150 @ 5/- =	37 10 0	150 @ 5/- = 37 10 0
150 @ 7/- =	52 10 0	6 @ 7/- = 2 2 0
30 @ 9/- =	13 10 0	£ x £40 = 25 0 0
	£116 0 0	£77 2 0
Reduction in liability is	£38 18 0	

This is made up of :

Reduction owing to age relief :	
£144 @ 7/- =	£50 8 0
30 @ 9/- =	13 10 0
	63 18 0
Less additional tax on margin	25 0 0
	£38 18 0

(3) Repayment Claim

	£	Tax £ s. d.
Dividends and interest ..	600	270 0 0
Family allowances ..	41	
Less Earned income relief	10	
Net annual value of house	31	
	40	
	671	
Less National Insurance contribution ..	9	
	662	
Personal relief	210	
Children (3)	235	
Life assurance relief ..	10	
	475	
	£187	
£100 @ 2/6 =	£12 10 0	
87 @ 5/- =	21 15 0	
		34 5 0
Tax repayable	£235 15 0	

This is made up of :

	£	
Personal reliefs	475	
Less untaxed income, £71-9	62	
	413	
Tax is repayable on income not taxable	100 @ 6/6 =	185 17 0
and at reduced rates on	87 @ 4/- =	32 10 0
		17 8 0
	£600	£235 15 0

N.B. The reduced rate reliefs are :

- First £100 (chargeable at 3/-) 6/6 in £
- Next 150 (chargeable at 5/-) 4/- in £
- Next 150 (chargeable at 7/-) 2/- in £

The relief is the difference between 9s. in the £ and the rate chargeable.

(4) Repayment Claim

Taxpayer's wife physically incapacitated. Housekeeper kept to look after child. Taxpayer maintains his widowed mother whose own income is £85 per annum.

	£
Earned income	1,800
Unearned income	500 (N.I.C. has been deducted here)
	2,300
E.I.R.	400
P.R.	210
Child	85
Housekeeper	60
Dependant	60
Life Assurance, 2/5ths of £100	40
	855
	£1,445
£100 @ 2/6 =	12 10 0
150 @ 5/- =	37 10 0
150 @ 7/- =	52 10 0
1,045 @ 9/- =	470 5 0
Tax to be borne	£572 15 0

Any tax already paid by deduction will reduce the above to the amount still payable.

Had the mother's income exceeded £85, the dependent relative relief would have been reduced by the excess.

(5) Small Income Marginal Relief

	Without relief		With relief	
	£	£	£	£
Total income (all unearned)		270		270
Margin				20
				<hr/> 250
Small income relief, 2/9ths	—		56	
Personal	120		120	
Life assurance relief (pre- mium paid)	8		8	
	<hr/> 128		<hr/> 184	
	£142		£66	
				<hr/>
£100 @ 2/6 =	12	10 0	£66 @ 2/6 =	£8 5 0
42 @ 5/- =	10	10 0	2/5ths of £20 =	8 0 0
	<hr/> £23	0 0		<hr/> £16 5 0

Where the income exceeds £250, the small income relief can be given on £250, but two-fifths of the income over £250 is added to the tax payable on £250.

MANAGEMENT EXPENSES

INVESTMENT COMPANIES (OR INVESTMENT TRUSTS AS THEY ARE sometimes called) are of two types: (a) those which exist for holding investments and making their profits from the income thereon; and (b) those which exist primarily for the purpose of dealing in investments, making their main profits therefrom, the dividends which come in while investments are held being merely incidental to the main business, though they may amount to a substantial proportion of the total profits. Investment-dealing companies are known as finance companies.

Investment-holding Companies

An investment-holding company is in the position that the whole of its income is taxed, either by deduction at source or by direct assessment (e.g. 3½ per cent. War Loan and Defence Bond interest under Case III, Schedule D, income from outside the United Kingdom under Cases IV and V, etc.). It has therefore suffered tax on its gross profit, whereas a trading company is liable on its net profit.

To put this right the company is allowed to reclaim tax at the standard rate on its management expenses, i.e. the expenses allowable as deductions from gross profit under the usual rules. The claim must be made within 12 months after the end of the year of assessment. While strictly the claim ought to be made for the year ending April 5, the

Revenue have no objection to claims for the accounting period, if consistently made on that basis.

Any income not charged to tax, e.g. transfer fees, is deducted from the management expenses.

Illustration

Profit and loss account of an investment-holding company for the year ended December 31, 1952:

	£	By	£
To Management expenses (all allowable for tax) ..	740	Dividends	5,400
Directors' remuneration	1,400	Interest taxed at source	1,200
Depreciation of furniture, etc. ..	120	Interest assessable Case III	400
Net profit	4,800	Transfer fees	60
	£7,060		£7,060

The true profit for tax purposes would be:

Net profit	£4,800
Depreciation	120
	£4,920

But the company has suffered tax by deduction on £6,600 and by direct assessment on £400. (It may be that the Case III assessment being on the previous year's basis would be on some other figure; it is assumed here that we

are dealing with something like $3\frac{1}{2}$ per cent. War Loan, so that the assessment is the same as the year's profits.) Repayment is claimed on the total management expenses

$\pounds 740 + \pounds 1,400 \pounds 60$ or $\pounds 2,080$ at 9s. 6d. = $\pounds 988$
Deduct Case II, $\pounds 400$ at 9s. 6d. = $\pounds 190$

Tax repayable $\pounds 798$

Proof. Tax deducted $\pounds 6,600$ at 9s. 6d. = $\pounds 3,135$
Tax on profits $\pounds 4,920$ at 9s. 6d. = $2,337$

Repayable $\pounds 798$

Where a management expenses claim is made, it is common to leave over collection on such an assessment, setting off the tax due against the amount claimed in due course.

Management expenses not relieved cannot be carried forward.

Finance Companies

A finance company is assessable under Case I on its dealing profits. The Acts provide that a company assessable under Case I must not be repaid more than will leave it bearing tax on an amount equal to the previous year's profits (including all income in such profits, whether taxed or not). Any management expenses on which repayment is not made as a result can be carried forward and added to the next year's expenses and so on, without time limit, until relieved.

It is emphasised that this restriction does not apply to an investment-holding company.

A finance company which shows a loss for Case I may carry the loss forward against future Case I assessments and against income from investments, unless already relieved under a management expenses claim. A claim for repay-

ment in the year of assessment under Section 341 can only be made in respect of a loss remaining after bringing investment income into credit.

Illustration

Profit and loss accounts of a finance company for the years ended March 31:

	1952 £	1953 £	1952 £	1953 £
To Management expenses, including directors' fees, etc. (all allowable) ..	15,800	15,040	By Dealing profits Dividend and interest (all taxed at source) 4,700	10,600
Disallowable expenses ..	900	800	Transfer fees 50	40
Net profit ..	2,250	2,000		
	<u>£18,950</u>	<u>£17,840</u>	<u>£18,950</u>	<u>£17,840</u>

The previous year's profit for this purpose must include all income and is therefore as follows:

Year to 31.3.52 $\pounds 2,250 + \pounds 900 = \pounds 3,150$
Year to 31.3.53 $\pounds 2,000 + \pounds 800 = \pounds 2,800$

In 1952-53, therefore, the management expenses claim is restricted thus:

Taxed income $\pounds 17,800$ at 9s. 6d. = $\pounds 8,455$

Previous year's profit $\pounds 3,150$

Available $\pounds 14,650$ at 9s. 6d. = $\pounds 6,958$ 15s.

This leaves the company to bear $\pounds 3,150$ at 9s. 6d. = $\pounds 1,496$ 5s.

The management expenses are:

Total	$\pounds 15,040$
Less Transfer fees	40
	<u>15,000</u>
Relieved	<u>14,650</u>
Carry forward	<u>£350</u>

caused a sudden reverse. The net position, as reflected in changes of the indices of the *Financial Times*, is as follows, the prices being those of May 20 and June 25 respectively. Gilt-edged from 97.52 to 97.25; fixed interest from 108.30 to 108.36; industrial ordinary shares from 113.9 to 117.5 and gold mines from 87.98 to 87.74.

More Government Borrowing?

The strength of the Funds has occurred in face of the fact that short dated bonds, taken up by the departments, have been "on tap" during virtually the whole period up to mid-June. This supply was then cut off and it was suggested that there were no more to come, unless it was decided to sell the comparatively long dated stock of the *British Electricity Authority*, the recent issue of which was not fully covered by public subscriptions. There is no sign of this so far and the turning off of the tap gave rise to reports of an impending Government issue. Soon or late, short or long, the Government have to borrow to finance the housing campaign, while there are some £577 million of $1\frac{1}{2}$ per cent. Funding

FINANCE

The Month in the City

The Rise Halted

THE PAST MONTH SEEMS TO HAVE WITNESSED a further recovery in domestic spending. This may arise from the Whitsun holiday and the Coronation spirit and more money spent now may merely mean less spent later on. But it may reflect a new attitude. Certainly the drain of men from the capital goods industries to the consumption goods industries which started in the winter, seems to be continuing. Hand in hand with this goes the fact that production, while higher than last year, shows little of the expansion for which the Chancellor must be hoping, and with this also goes a tendency for the adverse balance on visible trade to rise.

There is, in fact, little initiative and money seems to be in abundant supply. This, presumably, explains why up to almost the middle of the month every section of the stock market was firm to strong. Then reports which suggested an early peace in Korea—with possibly other advantages to follow—led to a slump in some raw materials, mainly base metals, and to further weakness in the shares of the companies producing them. This was accompanied by a sharp rise in some Far Eastern Bonds. By the middle of the month both these last two trends had been reversed, while industrial equities had weakened a little, but the rise in the funds continued until the escape of Korean prisoners of war

Bonds to be met in five months time and £810 million of War Bonds to be taken care of in a little over eight months.

The month has produced an offer by Tanganyika and two small cash and conversion offers by Cape Town and Durban. The first has gone well and established a premium.

Another Exchequer Issue

After the above was written a partial answer was provided to the question, how the Government propose to finance their requirements. A further £100 million 3 per cent. Exchequer stock, 1960, was put on offer, the same amount of this stock as was first offered early in March. But this time the issue price was 100 instead of 99½ for the earlier issue. A stock with rather under seven years to run is patently designed to appeal in the first instance to the banks. So it is really a conversion of bills, which count in the liquidity ratio, into bonds which do not. But it makes no direct demand on the savings of the general public, which, anyway, are virtually non-existent, nor does it increase the supply of stock in which the ordinary investor is interested. It is not quite true to say that if the offer had not been made the demand for other stocks would have arisen from the banks, because they have first to dispose of Treasury bills for which there is no final buyer in such circumstances. At the time of announcement the terms were only just

attractive, but there was no doubt that the banks would take up the bulk of the stock. In the event, the general basis of allotment was 75 per cent., although applications up to £5 million were allotted in full.

Bill Rates

While some interests outside the City are saying freely that Mr. Butler may have to use financial policy to halt excessive domestic spending, the markets are still talking of lower rates. Indeed, there has been a perceptible decline in the general rate ruling for Treasury Bills at the weekly tender and some agitation has been aroused for a decline in the rates for commercial bills, the lower limits of which are kept rigid in response to Government requirements. The margin between the two main types of 91-day paper, Treasury and commercial bills, is now a full ½ of 1 per cent. Some people say this is too much and that the high level is responsible for the decline in the volume of the junior security. Possibly, a cut in the rate would have some effect, but the main reasons for the decline, arise from direct participation by the authorities, are the shrinkage in total trade and the effect of monetary policy upon both the price and the volume of raw material stocks. Further, it is probable that, in the present circumstances, both customers and bankers prefer to cover whatever requirements there are for credit by overdraft rather than by bill.

Easing Contango

Having decided against giving permission for option business, the Council of the Stock Exchange has taken one small step towards easing the position of those who wish to carry-over stock from one account to the next. Contango facilities were restored in a truncated form four years ago, but the truncation, which consisted in permitting brokers to deal in contango only with jobbers, gave the latter something very like a monopoly. In prewar days, brokers could deal either with jobbers or between themselves in this particular matter, and long experience had shown that this was the best arrangement. An application for this extension seems to have been granted without delay, a fact for which the Council and Mr. John Braithwaite are to be congratulated. The effect of giving permission for broker to broker contango will, presumably, restore free market facilities. Contango rates will be posted and the broker will be relieved of the obligation to disclose to the jobber whether he is a bull or a bear. He can also see whether he cannot arrange something better than the posted rate. It is not expected that, in the absence of option dealings, there will be a large contango business, but this is another step towards the use of full market facilities and as such is very welcome. It should at least reduce the amount of selling for old and buying for new—or the reverse—which has sometimes distorted prices over the change from one account to the next.

Accounting Investigations and Monopoly Inquiries

A prolonged inquiry into an industry by the *Monopolies Commission* is a very unsettling thing. This point is emphasised by the Select Committee on Estimates in its sixth report for the session 1952-53. (Her Majesty's Stationery Office, price 3s. net.)

The Select Committee recommended that the Board of Trade, in consultation with the Commission, should urgently consider how to shorten the time-lag between publication of a complaint and its examination and that between the commencement of an investigation and the issuing of a report.

Particular interest was shown by the Committee in the accounting side of investigations. They had been told that the costings required for the Commission's inquiries often took a long time. The Commission tackled this part of their work in different

ways. Sometimes their own accounting section collected the information directly from manufacturers, sometimes they worked through the accountants of the trade associations concerned. For one current inquiry a firm of practising accountants has been employed. The Committee continue:

Your Committee inquired to what extent the employment of outside accountants would assist the Commission's own accounting section. They were informed that this was difficult to judge as the idea has only been tried once and the results have not yet been received. The Commission admitted that there was no insuperable objection to employing an outside firm, but said that there might be difficulty in finding firms of accountants who were not already employed by one or other of the manufacturers whose operations were to be examined.

The value of the services of outside accountants depends on their experience in working with the Commission's accountants. Your Committee realise that such

experience can only be acquired as a result of working on a number of inquiries. They recommend that the Commission should examine carefully the results of their employment of a private firm on a current inquiry in order to ascertain whether this method could be extended with advantage in the future.

In examination by the Select Committee, a member of the staff of the Commission said that a drawback of engaging outside accountants was that they would not be on the necessary intimate day-to-day relationship with the staff. Mr. G. P. Stevens, a member of the Committee, who is a Chartered Accountant, retorted that throughout the war professional accountants were employed on similar work for Government Departments. He added:

They were approachable every day just the same as civil servants were every day, and intimate relationships were quickly established once the initial difficulties had been overcome.

Points From Published Accounts

Dividends—Gross or Net?

IT WAS INSPIRING TO RECEIVE TWO VERY constructive letters on the subject of our article entitled *Dividends—Gross or Net?* which appeared in these columns last month (page 195). The letters are published on page 235 of this issue. One of our correspondents, the writer of the first letter, is the Chief Accountant of an eminent public company (which shows its dividends net!). The fourth method, advocated by him, is a refinement on the third which was set out last month, and obviously after a good deal of hard thinking by a committee of experts it should be possible to fashion a method of presentation which meets up to all the irritating and inevitable exceptions to the rule; the requirements of the profession; the law; and the simplest-minded shareholder for whom the change is suggested. The article ended with a question: "Is this, then, a time for second thoughts on the presentation of the profit and loss account?" To date our very co-operative correspondents have answered in the affirmative.

Large variations in franked investment income constitute, as our second correspondent points out, a problem in the accounts of a holding company, but this item, as well as adjustments relating to previous years, could be shown as its gross amount, and the net amount after deducting the relevant tax. It has been suggested before that exceptional items should be shown in a panel and their net amount deducted from the profits balance brought forward. The complication of a trading period straddling a year of differing rates of profits tax demands longer consideration than is available between the time these notes are written and the time of going to press. The suggestion that company accounts should include a statement separate from the legal accounts showing the basis on which the cover for interest and dividends can be calculated following our third method will undoubtedly be endorsed by investors.

Variations on a Theme—

If companies were all to plough their own furrows in the technique of profits presentation the investigating community would be even more perplexed than it is now. It is, surely, not enough that leaders in accounting thought should indicate the broad lines on which company accounts ought to be drawn up: should they not also discuss methods that infringe the spirit, if not the letter of the Companies Act, and stamp on them if needs be? It is, perhaps,

one of the misfortunes of the 1948 Act that its requirements have not been really tested in law. For instance, there is the too common practice of making optional reserve transfers before striking net profit, and even before striking the "trading profit." The latter can be described as such after making whatever deductions the compilers of the accounts please, and net profits need never be shown. It is, in short, a lamentable deficiency from the viewpoint of shareholders and accountants that the Act does not define either trading profit or net profit.

There is general agreement, on the evidence of published accounts, that the balance from trading account is a balance *before* deducting those items which the Act specifies shall be shown in the accounts, and that if a net profit balance is struck it shall represent the amount of the year's earnings after taxation which is available for adding to reserves, and/or distributing to shareholders, subject to the additional distributed profits tax liability. Here are some variations on this theme:

—Variation One

British Aluminium's 1952 accounts show that trading profit *after* making a transfer to plant replacement reserve and *after* providing for normal depreciation. These two items are shown by way of footnote. Is it sufficient for companies to make reserve transfers that are entirely optional before showing the trading profit and the net profit? Certainly that basis gives anything but a simple view for shareholders whatever may be said about its giving a "true and fair view."

It has been said before in this column that if the practice of making numerous deductions were carried to the extreme limit then the trading profit could be the unappropriated profits of the year. That opinion still holds good. The limitations of company accounts are recognised by nearly all shareholders, but if companies are going to depart from accepted conventions in order to try and overcome those limitations then some shareholders will have a misleading picture. The preferable step would seem to be to stick to convention, however irritating that may be, and then for the directors to describe in their report, or by way of footnote, the manner in which they have sought to overcome the limitations by reserve transfers.

—Variation Two

The latest accounts of *British American Tobacco* are necessarily complicated because

of the group's world-wide ramifications. An explanatory statement covers two pages and the footnotes nearly three pages. Although this is not stated, it is presumed that the company has adhered to the LIFO stock valuation basis, the purpose of which was described by the chairman at the last annual meeting as well as in the accounts.

The practice has been adopted of transferring direct to fixed asset and stock replacement reserves the surpluses arising from the use of tobacco leaf bought before devaluation. These surpluses have been of reducing importance over the past two years and are excluded from trading profits. (Presumably the tax they may have attracted has also been excised from the profit and loss account, but this is not stated. In a note next month we shall examine, on the obverse side, the method of adding back stock reserves.

After striking the net profit there is a further transfer to the fixed asset and stock replacement reserves, and a footnote states:

The transfers to fixed asset and stock replacement reserves, including the leaf devaluation surplus, represent an estimate of the amounts which, having regard to the inflationary conditions prevailing must, in the opinion of the directors, be retained out of profits towards maintaining over the year that part of the real capital of the group represented by fixed assets and stocks.

To emphasise the point further the explanatory statement contains the following:

The group has again found it necessary to make substantial transfers to fixed asset and stock replacement reserves in order to ensure the retention in the business of the extra funds required to cover the increased cost of replacing fixed assets and stocks in present world conditions.

The leaf devaluation surplus apart, the company has differed from *British Aluminium* in making the main transfer to reserve after striking the trading profit and after striking the net profit. But it has also deducted obligatory provisions before striking the trading profit of the year, and can be criticised on this score.

The following comment on the net profit is interesting:

The fall in the balance of group net profit... is more than offset by the reduction in the transfers required to fixed asset and stock replacement reserves, so that the group available net profit has increased by £1,070,000.

This is clearly an attempt to get to grips with the realistic profits experience. But, as has been stated, the leaf devaluation surpluses have been of diminishing importance, and if they disappear altogether this year then practically the whole of the "net profits" increase of £1,070,000 would also disappear.

Maple & Co. has an important South American subsidiary, and owing to the present unsatisfactory restrictions regarding remittances from Argentina the directors have decided to present the accounts of this subsidiary separately. They state:

That watchdog of investors, the *Investors' Chronicle*, has pointed out that the Companies Act stipulates that there shall be shown the "corresponding amounts for the immediately preceding year for all items shown in the profit and loss account," and remarks that neither in the Maple accounts themselves, nor in a footnote, are the 1951 profit and loss figures put on to a basis strictly comparable to those of 1952. The journal presumes that the requirements of the Act are satisfied by the information on the South American profits that is given in the accounts, but even this is not comparative as the 1951 profits from this source are stated after taxation and those of 1952 before taxation.

the net book figure for freeholds. The company has now chosen to add the surplus to the revenue reserve, but does not explain that this is what has been done.

There are many companies gaining a large revenue from the manufacture and hiring-out of such things as internal telephone systems, radio and TV sets, and machinery of various kinds. Obviously this is a less fluctuating type of business than some others, as once an installation has been made and has proved satisfactory the renter, or lessee, would probably be very reluctant to terminate his agreement even if he were compelled to draw his horns in.

Most of the revenue of *British United Shoe Machinery* is believed to be obtained from the leasing of machinery to the shoe and other trades. In this instance, plant, leased machinery and equipment are lumped together in the balance sheet and, again, there is no indication of the amount of the income that is derived from leasing.

number of items, and is drawn up on rather unusual, but effective, lines. It is worth reproduction. Nowhere in the report or accounts does it emerge that the dividend from the subsidiary is non-recurring, but the fact that it is treated as a "below-the-line" entry should put shareholders on their guard, and the chairman's opening remarks make it clear that this is a windfall which will not be repeated as it results from the liquidation of the subsidiary. The words "profit subject to tax" might have been inserted in the appropriate place, and then the shareholder untutored in company accounts could, by a single calculation, see the cover for the total net dividends.

The reduction in the income tax rate created problems for those companies which had their accounts in the hands of the printers on or before Budget day. When the standard rate was reduced to 9s. 6d. there was a similar problem, which had to be shelved until the following year, when the increased cost of the net final dividends was deducted from the amount brought forward into the next accounts. This seems as satisfactory a way as any of doing things, and to adjust the comparative figures to allow for a reduction of one-nineteenth in the standard rate of income tax would seem to be an unnecessary refinement.

The directors report, statement of accounts and this review were prepared before the Budget. The Ordinary dividend will be paid on May 20, 1953, after deduction of tax at 9s. in the pound, and the cost will therefore be £43,608 against £41,625 provided in the accounts. On the other hand, because of the reduced rates of tax there has been an over-provision for taxation but any necessary adjustments will be made in next year's accounts.

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Letters to the Editor

Dividends—Gross or Net?

SIR,—I was interested in your article in the June number of ACCOUNTANCY on "Dividends—Gross or Net?" I think that there is yet another method of presenting the required picture which goes beyond any of the three set out in your article; it is based on the belief that dividends need only be shown *net* both to meet legal requirements and to give "a true and fair view." It is as follows:

	£	£
Profits before tax		200,000
Profits tax at 2½ per cent. ..	5,000	
Income tax at 9s.	90,000	
		95,000
Profits before net dividends and distribution profits tax thereon		105,000
Preference dividend (net) ..	22,000	
Distribution profits tax ..	8,000	
		30,000
Profits before ordinary dividend and distribution profits tax thereon ..		75,000
Ordinary dividend (net) ..	33,000	
Distribution profits tax ..	12,000	
		45,000
Retained profits ..	£30,000	

The arguments in support of this method can be summed up as follows:

- (1) Assessments to tax are on the company and not on the shareholders. It is suggested, therefore, that it is correct to show the actual tax chargeable on the company without bringing in national figures based on the assumption that tax deducted from dividends should be set off against assessments on the company.
- (2) The amount of income tax assessed on the company is not affected by the amount of dividend paid. If, however, either method 1 or method 3, set out in your article, is adopted the amount shown for income tax will vary with dividends. This difficulty is only avoided by method 2 or by the 4th method propounded above.
- (3) The 4th method retains the advantages of method 3 by showing the successive stages of profit available for the different categories of share capital.
- (4) The principle common to methods 3 and 4 of allocating profits tax into three components does admittedly not disclose in a single figure the total amount of profits tax. It is suggested, however, that although

the tax is called by a single name it has now become in effect two separate taxes and a "true and fair view" is better given by disclosing these separate components in the way set out. There is also the argument, suggested above in relation to income tax, that whatever the Ordinary dividend both the 2½ per cent. profits tax figure of £5,000 and the distribution profits tax figure on the Preference dividend of £8,000 are unchanged. Similarly whatever the Preference dividend the 2½ per cent. figure of £5,000 and the distribution profits tax on the Ordinary dividend are unaffected. These points it is suggested, should be brought home to the reader of the accounts and this can only be done by breaking up profits tax into its component parts.

- (5) Where there is franked investment income the first figure of profits tax would not be exactly 2½ per cent. on the profits before tax and there are, of course, many other reasons for divergence between accounting profits (before tax) and adjusted profits for profits tax purposes. It is suggested that the distribution profits tax should be calculated on the simple and straightforward basis of 20 per cent. of the gross (relevant) dividend and all other adjustments, brought in to the first figure of profits tax. This becomes in effect the balancing figure left after deducting computed distribution profits tax on dividends from total profits tax assessable on profits.

The method used above is one frequently adopted for internal purposes in my company and I thought it might be interesting to your readers.

Yours faithfully,

W. W. FEA.

Smethwick, Staffs.

June 16, 1953.

SIR,—I found this article in your feature "Points from Published Accounts" (June, 1953, page 195) most stimulating.

The third method appears commendable but an enlargement thereof dealing with some profits tax complications would be appreciated.

Suggested "complications" and considering the need for comparative figures:

- (a) variations in "profits before tax" with profits tax chargeable profits

(due, for example, to initial allowances);

- (b) large variations in "franked investment income" or where "franked investment income" constituted a fair proportion of the total taxable income;
- (c) substantial adjustments relating to previous years;
- (d) an accounting period consisting of profits tax accounting periods of varying rates of profits tax;
- (e) capital distribution as in *Lamson Paragon Supply Co., Limited v. C.I.R.* (1951);
- (f) loans to members as in *Chappie, Limited v. C.I.R.* (1953) (possibly rare).

However, is the proposed treatment of profits tax strictly correct for legal accounts, as legally, profits tax is charged at the highest rate in force on all such profits as are chargeable, with relief granted on such profits as are not distributed?

As an alternative I venture to suggest that company reports include a statement separate from the legal accounts showing the basis on which covers for interest and dividends can be calculated following the "third method" and omitting comparative figures. To introduce such a feature might require judicious timing for certain companies.

Yours faithfully,

R. PEREIRA, A.S.A.A.

Orpington, Kent.

June 10, 1953.

BOOKS RECEIVED

SPICER & PEGLER'S BOOK-KEEPING AND ACCOUNTS. Thirteenth edition. By W. W. Bigg, F.C.A., F.S.A.A., H. A. R. J. Wilson, F.C.A., F.S.A.A. and A. E. Langton, LL.B., F.C.A., F.S.A.A. (H.F.L. (Publishers), Ltd. Price 35s. net.)

EXECUTORSHIP LAW AND ACCOUNTS . . . FOR INTERMEDIATE STUDENTS. By Charles E. Perry, F.C.A., F.S.A.A. and O. Griffiths, M.A., LL.B., Barrister-at-Law. Tenth Edition by S. C. Hough, A.L.B. (Textbooks, Ltd. Price 17s. 6d. net.)

THE SECRETARIAL PRACTICE OF LOCAL AUTHORITIES. By W. Eric Jackson, LL.B., Barrister-at-Law. (W. Heffer & Sons, Ltd., Cambridge. Price 20s. net.)

THE COMPANY PROSPECTUS. A series of four lectures. (Gee & Co. (Publishers), Ltd. Price 3s. 6d. net.)

THE SOUTH AFRICAN COMPANIES ACTS. By Arthur Suzman, Q.C., B.A., LL.B. (RAND), B.C.L. (Juta & Co., Ltd., P.O. Box 30, Cape Town. Price 52s. 6d.)

(Continued on page 239)

Legal Notes

Company Law—Liability of shareholders for fraud of director.

In **Briers v. Rosher and others** (1953, 2 W.L.R. 608) the A Company wished to purchase the shares of the B Company, and after long negotiations with R, the managing director of the B Company, they put forward tentative proposals which were communicated to the B Company in general meeting. That meeting resolved that R should take the matter up further with a view to completing the transaction on the proposed basis. After a further meeting with R the A Company made a firm offer which was accepted, and the shares were transferred. It was later discovered that, unknown to any of his fellow directors or to the shareholders, R had been guilty of fraud in the management of the B Company and as a result the shares of the B Company were worth much less than the price paid for them. The directors of the A Company brought action against some of the former shareholders in the B Company claiming damages for their loss.

The Court of Appeal held that the claim could not succeed; the shareholders never authorised R to act as their agent in the negotiations; they thought at the meeting that the transaction was in the nature of a *fait accompli* and they merely authorised R to accept the proposal that had been already put before them. The Court left open the question whether the shareholders would have been liable if they had authorised R to negotiate and he had made fraudulent misrepresentations during those negotiations.

Company Law—Investigation by Official Receiver in a Voluntary Winding-up.

In **Re Campbell Coverings Ltd.**, (1953, 2 W.L.R. 1135), the Court of Appeal was concerned with the extent of the powers of an official receiver who is investigating the affairs of a company in a voluntary winding-up. The case involved detailed consideration of the Companies Act, 1948, Sections 236(1) (2), 270, 307 and 334(3), and those interested should read the full report, but the broad outline of the case was as follows:

An official receiver was appointed by the Board of Trade to investigate the affairs of a company in voluntary liquidation and he applied to the Court *ex parte* for an order that there should be a public examination of one of the former directors. Roxburgh, J., refused the application on the ground that the Court had no power to make such an order until the official receiver had submitted the preliminary report and the further report required by Section 236(1) and (2) of the Act. The official receiver then applied *ex parte* to the Court of Appeal, who also dismissed the application but on different grounds. They said that the powers conferred on the Court by Section 334 could be exercised in a voluntary winding-up without the reports being submitted, but that those powers did not include the power of ordering a public examination on the application of the official receiver. They left open the question whether such an order could be made on the application of the liquidator, a contributory or a creditor under Section 307(1) of the Act.

Executorship Law and Trusts—Validity of Trust in Favour of Fluctuating Class.

In **Re Gestetner Settlement** (1953, 2 W.L.R. 1033), a settlor had settled a sum upon trust and had empowered his trustees to appoint within a limited period the whole or any part of the fund to such person or persons of a specified class as they might think fit; there were gifts over in default of appointment. The specified class was a wide one, including members of the settlor's family, employees of his business and some named charities. At any given time it was possible to ascertain with certainty whether any person was or was not a member of the specified class, but the members of the class might vary from time to time, for example, the business might take on new employees. The Inland Revenue took the view that in these circumstances the trusts were void for uncertainty and the trustees took out a summons to determine the question.

Harman, J., said that where as in **Re Ogden** (1933, Ch. 678), the trustees had a

duty to distribute the whole of a fund to members of a specified class, the trusts would be void unless all the members of the class could definitely be ascertained at one time. In this case, however, the trustees had to consider from time to time what appointments, if any, they should make. But, having considered the matter, they could decide to make no appointments and to allow the gifts to take effect in default of appointment, and, as at any given moment the trustees could say who was and who was not a member of the specified class, the trusts were valid.

Executorship Law and Trusts—Exclusion of Trustees Implied Power to Postpone Sale.

R. in his will directed his trustees to sell his farm "as soon as possible after my death," the proceeds to fall into residue, and he also directed them, if they deemed it advantageous, to "retain any investment that my estate may consist of at my death although some may not be an investment allowed by law for the investment of trust funds." The question arose whether the trustees were entitled to postpone the sale of the farm and in **Re Rooke** (1953, 2 W.L.R. 1176) the Court held that they were not. "Investment" meant investment in its strict sense and did not include the farm. The will did not therefore give the trustees any express power to postpone the sale of the farm. On the contrary, the express direction to sell the farm as soon as possible ousted the power of postponing the sale which is implied by Section 25 of the Law of Property Act, 1925, "unless a contrary intention appears." Accordingly the trustees were bound to sell the farm within a reasonable time.

Executorship Law and Trusts—Signature of Wills.

The importance of signing at the end of a will is shown by a Practice Direction reported in 1953, 1 W.L.R. 689. It sometimes happens that wills are signed only at the foot of the first page but, for lack of space, are continued upon the next page. When the continuation is part of an uncompleted sentence and it has been established that the whole (or part) of the second page was written before the execution of the will on the first page, it has been the practice to admit to proof the continuation on the second page. On the authority of *In the Goods of Gee* (1898, 78 L.T. 843), a direction has now been issued that in future no such continuation will be admitted as part of the will unless there is also a reference above the signature on the first page which admits incorporation.

Executorship Law and Trusts—Increase in value of National Savings Certificates. Capital or Income?

In his will H. declared "that no part of any dividends, rents, interests or moneys of the nature of income which shall actually be paid after my death shall be apportioned or treated as capital of my estate . . . and that the whole thereof (whether the same be paid in respect of a period wholly or only partly prior to my death) shall belong to the person entitled to the investment or property from which the same respectively arose. . . ." Among the assets of the estate were 500 National Savings Certificates, seventh issue, which had been bought by H. for £375 and for which the executors received £534. All concerned agreed that any interest earned on these certificates after H.'s death must be treated as income under the will, and the question in **Re Holder** (1953, 2 W.L.R. 1079), was whether the increase in value during H.'s lifetime was to be treated as capital or income.

Roxburgh, J., after considering the terms on which the seventh issue was made, held that the agreement between the purchaser of the certificates and the Government was that unless the holder encashed his certificate before the end of any month, the increase accruing during that month was deemed to be paid and added to the capital. The accretions during H.'s lifetime were therefore capital for the purposes of the will.

It is probable that the same result would have been reached if the certificates had been of any other issue, but the exact terms of each issue would have to be considered.

Executorship Law and Trusts—Meaning of "Movables."

It should be some consolation to laymen enmeshed in the intricacies of the law that the wills even of distinguished lawyers are occasionally difficult to construe. In **Re Walsh** (1953, 2 W.L.R. 686) the testator, a former judge in India, left to his widow, *inter alia*, a legacy of £200 and "all the remainder of my furniture and movables—not consisting of mortgages, shares, bonds or securities of any kind." The question was whether this phrase included such assets as the testator's bank balance or insurance policies.

Vaisey, J., said that according to the old case of *Steignes v. Steignes* (1730, Mos. 296), the word "movables" by itself might include the whole of the residuary personal estate, but in conjunction with "furniture" "movables" could only mean "movable chattels"; the meaning was not extended

by the words "not consisting of mortgages, etc." Accordingly the widow did not take the bank balance or insurance policies.

Executorship Law and Trusts—Meaning of "continuing in service."

A testatrix made certain bequests to her housekeeper absolutely "if she continue in the service of the survivor of myself and my husband." After the death of the testatrix the husband covenanted under seal to employ the housekeeper at a fixed wage during the remainder of their joint lives and then married the housekeeper. A few years later the husband died and the housekeeper claimed that she was entitled to the bequests.

In **Re Kendrew** (1953, 2 W.L.R. 550) the Court of Appeal upheld her claim. On the true construction of the will the housekeeper, in order to qualify for the bequests, had to continue in the service of the husband from the time of the testatrix's death down to his death. It was quite possible in law for a husband and wife to be at the same time master and servant, and on the facts of the case the housekeeper had continued in the husband's service until the date of his death.

Executorship Law and Trusts—Valuation of Life Interests brought into Hotchpot.

When a life interest has to be brought into hotchpot, the usual rule is that it must be valued actuarially in accordance with the expectation of life of the beneficiary on the date when the life interest fell into possession. In **Re Thomson Settlement Trusts** (1953, 2 W.L.R. 978), the question was whether this rule still applied if the beneficiary died before application was made to the Court for a valuation or whether the life interest must in that case be valued according to the length of time for which the beneficiary had actually enjoyed it. The facts were that in the exercise of a power of appointment given to him under a settlement, T. appointed certain life interests to E. and others and also made other appointments. In 1933 T. died and the life interests fell into possession. No valuation for hotchpot purposes was then made because the other appointments were believed to be valid and in that case E. had no other interest in the settled fund. In 1941 E. died. In 1953 the Court ruled that the appointments, other than the life interests, were invalid, and it followed that E.'s estate became entitled to a further interest

in default of appointment and the value of her life interest had to be brought into hotchpot.

Roxburgh, J., held that the ordinary rule applied and that the value of E's life interest must be calculated on her expectation of life in 1933. He also held that the sums brought into hotchpot should not bear interest.

Miscellaneous—Control by High Court of Statutory Tribunals.

The case of **Barnard v. National Dock Labour Board** (1953, 2 W.L.R. 995) is of some constitutional importance as it illustrates the extent to which the High Court may and will control statutory tribunals.

Under the Dock Workers (Regulation of Employment) Order, 1947, the National Dock Labour Board were required to delegate to local boards certain functions, including disciplinary functions, and a dock worker aggrieved by the decision of a local board was entitled to appeal to a tribunal. One of the local boards purported to delegate their disciplinary functions to a port manager and in the exercise of those functions he suspended B. and others. They appealed to the tribunal. The appeals were dismissed. B. and others then applied to the High Court for a declaration that the suspensions were invalid.

The matter finally came before the Court of Appeal who held that the local board had no power to delegate its disciplinary functions and that the suspensions were invalid: the High Court had a discretionary right in proper cases to intervene with the decisions of statutory tribunals and this was a proper course in which to make the declaration asked.

Miscellaneous—Duty of Former Agent to Account for Profits.

In **Nordisk Insulinlaboratorium v. Gorgate Products, Limited** (1953, 2 W.L.R. 879), the Court of Appeal reversed the decision of the court of first instance which was reported as *Nordisk Insulinlaboratorium v. C. L. Bencard (1934) Ltd.* (1952, 2 A.E.R. 1040), and noted in *ACCOUNTANCY* for February, 1953 (page 63). The Court held that on the facts the agents were not trustees of the insulin nor was the knowledge that they had acquired so confidential that they were in breach of their duty by disclosing it.

Publications

MANAGEMENT—ITS NATURE AND SIGNIFICANCE. By E. F. L. Brech, B.A., B.SC.(ECON.), M.I.L.A. (Sir Isaac Pitman & Sons, Ltd. Price 12s. 6d. net.)

Management is a process distinct from the technologies or fields of operation within which it is applied and there exist certain fundamental principles on which its application will always be found to rest. There are the premises from which this thoughtful and thought-provoking study of the nature and significance of management proceeds. Given the truth of the axiom it follows that management can be taught as a subject in itself, with consequent benefit to industry and hence to the community.

This is a penetrating book written with a pleasing logic. It is "academic," but that term is not used in any derogatory sense for, as the author rightly says, the true craftsman must know the theory of his trade as well as being master of its practice. He is at great pains to show that good management is not a flair or an aptitude. It is not attained by intuition or "hunches," nor automatically by technical or professional qualifications. It must be acquired by deliberate training in the principles on which sound management is based and the techniques by which it is achieved.

Conclusions may sometimes seem to be drawn after insufficient consideration or over-simplification, but this is a fault common to many books which are kept short in order to be more readily readable. There will be some who find it difficult to accept the view that as an executive rises through an organisation the extent of operational (detailed or technical) knowledge required of him diminishes in proportion to the managerial, and that at the top level the operational knowledge diminishes to the point at which it is just sufficient to be able to know when one of the specialists in the field is talking nonsense. It could be argued that in order to discern this the top executive must himself be possessed of considerable operational or specialist knowledge.

The process of management is analysed into its main component parts: planning, co-ordination, inspiration or motivation (leadership) and control; and each element is examined separately. The problem of conflicting terminology is grappled with and useful chapters are added on the training of managers and the criterion of management.

The book is the third (and revised) edition of an original study which the author intended as a first contribution only and the

hope is expressed that it may spur others to take the analysis yet further, until at last the full "theory" has been elaborated, so that management can take its place among the modern sciences and show a body of principles to underlie its practice.

It is a stimulating and challenging essay which will be of interest to all who are actively engaged in or about to engage in management of one form or another.

B. D. S.

THE SCIENCE OF CHANCE. By Horace C. Levinson. (Faber & Faber, Ltd., London. Price 30s. net.)

An eminent statistician has remarked that before long ignorance of the fundamentals of statistical science will be as much a handicap to an understanding of the world in which we live as an inability to calculate is to modern man. If a wide public could be persuaded to read Mr. Levinson's book, some progress in establishing the science of statistics as a method of thinking and analysis would undoubtedly be made. Dr. Levinson writes simply and lucidly. Even more important, he communicates to the reader his evident enjoyment and interest in this admittedly difficult subject.

The book is divided into two parts. The first and longer part deals with the arithmetic of chance. By numerous illustrations drawn from such games of chance as roulette, coin-tossing, poker and bridge, Dr. Levinson conducts the reader (who needs no more arithmetic than his multiplication tables) through the mystery of the various statistical distributions. Dr. Levinson follows a good tradition when he relies upon games of chance, for his illustrations for the theory of statistics originated at the eighteenth century gaming tables.

Having explained the theory of probability at the required level, Dr. Levinson devotes the second part of his book to the role of statistics in the modern world, by reference to such day-to-day matters as advertising, life assurance policies, school examinations (both mental and physical). With his guidance the reader will come to an examination of statistical data with just the right degree of scepticism. The last two chapters seek to establish statistics as a tool in advertising and business. In the first of these chapters the difficulties of assessing the results of an advertising campaign are clearly brought out, but perhaps

Dr. Levinson is less successful in the last chapter of his book, in convincing the sceptical business man that statistics are useful—extrapolation is a remarkably unreliable tool.

The discussion of the arithmetic of chance would have been more readable had it been compressed. However interesting it may be to compare poker with bridge and crap with roulette, the principles underlying the operation of the laws of chance are the same for all games. The highly detailed illustrations are sometimes just a little tedious. It seems a pity that the English reader could not have had the forty pages devoted to poker converted into a treatise on football pools on the lines of Mr. Hubert Phillips' work on this subject. It is almost certain that many Englishmen are more likely to become statisticians through the untiring efforts of *Littlewoods* than they will be as a result of university courses. However, anyone who knows his multiplication tables and has a penchant for the weekend problem in his newspaper or journal will enjoy Dr. Levinson's writing and comments.

A. R. I.

EXCESS PROFITS LEVY FOR STUDENTS AND PRACTITIONERS. By the "B.C.A." Tutors. (Textbooks, Ltd., Mill Hill, London, N.W.7. Price 8s. net.)

The Excess Profits Levy is a political child, conceived and born in a great hurry, begot of expediency and without the most distant relationship with Adam Smith's canons of taxation. Probably neither Government nor Opposition will lament unduly when this unwanted child suddenly expires. But students will still have to learn and practitioners refer to the complicated provisions of E.P.L. for many years to come. "Back duty" will be with us, even when the levy is no longer on the statute book.

The present work of the B.C.A. Tutors cannot be called a text-book on the subject, but it is a most excellent revision and examination note-book for the student and an equally good reference book for the practitioner. The statutory references are boldly inserted in the margin and a comprehensive index is provided. It is to be hoped that the publishers will promptly issue supplements giving effect to any statutory changes or decisions of case law as they occur, so that this publication will continuously retain the usefulness which marks it now.

An outstanding feature is the bold paragraph headings: the refusal to cramp text on the grounds of paper economy might well be emulated by publishers generally, even if this should be at the expense of cheaper backs and bindings.

H. H.

THE BUSINESS DOCTOR. By Walter Pinner. (Sir Isaac Pitman and Sons, Ltd., London. Price 18s. net.)

This is a book which ranges from the most elementary aspects of commerce to foreign dumping and unfair competition.

It is a pity that the first 52 pages are devoted to a description of the usages of certain professional bodies and official organisations. They add little to the knowledge already possessed by the average business man on the functions of those bodies and organisations.

However, the book follows an interesting trend of thought through the chapters dealing with (a) "faulty starts" through (b) under-capitalisation to (c) "over-trading." The distinction between under-capitalisation and over-trading is well drawn, although the author's argument could well have been clarified and emphasised by the inclusion of illustrative figures—specimen balance sheets would have been particularly useful.

The examples given in the chapter on "costing errors" are helpful and clear, and the warning given in regard to the cost of the "small order" is timely.

The chapter on debtors insolvency and credit control summarises some of the precautions which should be taken by the business man who wishes to avoid bad debts, and it is satisfactory to note that close supervision of the sales ledger is one of the precautions emphasised. This is a chapter which should receive particular attention from those who are starting in business and have not a large fund of commercial experience on which to draw. Enthusiasm in obtaining a new order from a fresh customer sometimes leads the inexperienced person to dispense with proper enquiry into the financial stability of the prospective client. This can have disastrous results.

To cover with complete success a subject of the magnitude of that chosen by the author would require not one volume of 174 pages (including appendices) but two or three volumes each of double the number of pages. Certainly the various points made by him are in the main covered by other works already published. But his approach is a new one. He gathers together, in a connected discussion, the various problems confronting a person intending to start a business. His book is a warning to those who are contemplating starting up a business and an injunction to make sure that a thorough investigation of the proposed investment is made before the contracts are signed and the final irrevocable step taken. Both as a practical guide and as an inducement to make a more thorough study of particular problems in the specialised literature, the work is very valuable indeed.

A. C. S.

STATISTICS AS APPLIED TO ACCOUNTING DATA. By C. R. Curtis, M.Sc., Ph.D., F.C.I.S. (Sweet & Maxwell Ltd., London. Price 22s. 6d. net.)

Dr. Curtis says that this book aims to provide "a straightforward account of the science of statistics and its application to business."

It is difficult to produce "a straightforward account," for statistics is not a simple subject, to learn or to teach. Wisely, the author largely confines himself to the fairly elementary methods, such as measures of dispersion, averages, graphical methods and a fairly lengthy treatment of the analysis of time series. But the chapter on correlation hardly justifies its place in the book: the technique is highly complex and cannot be taught to the statistically immature on the lines here followed. In contrast, the treatment of graphical methods is good and Dr. Curtis has drawn upon a wide variety of sources for his material. The discussion on sampling is far from clear and the conscientious reader will find parts of the chapter on frequency distributions lacking in precision. The book hardly provides the promised "straightforward account."

The reviewer was particularly disappointed with Dr. Curtis's illustrations of various methods. He rightly explains the principles themselves by the use of data which, because they are highly simplified, are often unrealistic. But once the principles have been propounded, the reader—who is, after all, invited to employ these methods in his own work—should have been given further examples comprising data both more realistic and more complex. Equipped with only the method of calculating the mean and standard deviations provided by Dr. Curtis, the reader who seeks to calculate these statistics from his own less tractable data may find himself stuck in a morass of unnecessary arithmetic.

Dr. Curtis's laudable effort to help accountants in the application of statistical methods has led him to over-strain himself to keep to basic principles, with the result that his exposition is only too often an inadequate one.

A. R. I.

SELECTED QUESTIONS IN ACCOUNTING—I. Elementary. Edited by B. J. S. Wimble, C.A. (S.A.), F.S.A.A. and T. Cairns, B.COM., C.A. (S.A.), A.S.A.A. (Published by Juta & Co., Cape Town and Johannesburg. Price 11s. 6d. net.)

The editors have collected 200 questions ranging over the field of elementary book-keeping and accounts. The questions are usefully grouped under topics and there is a simple index. The questions are of South African source but, as no points of law are involved, they are equally useful for the student in the United Kingdom.

The prime object of the book is to meet the need of first year students who, if they are wise, will seek every opportunity of testing their knowledge at each progressive stage.

Most elementary texts on accounting do incorporate a few examples for the student to work but it is not usually possible to include more than a few representative questions, so that a text such as the one under review is a welcome addendum. It is to be hoped, however, that in due time the editors will prepare a "key" of suggested answers to the questions and thus complete their useful work.

The editors express the hope that the text will be helpful to teachers of accounting. It should certainly prove to be so, particularly for those part-time instructors with insufficient time to build up their own repository of examples.

The editors have most generously assigned their royalties to a prize fund for students.

R. A.

BOOKS RECEIVED

GUIDE TO GOVERNMENT ORDERS.—Indexing S.R. & O. and S.I., in force, December 31, 1952. (Her Majesty's Stationery Office. Price £4 4s. net.)

STUDIES IN MANAGEMENT TECHNIQUES. By G. W. Briggs, A.C.W.A., A.C.A.A. (Gee and Company (Publishers), Ltd. Price 21s. net.)

PYEMONT'S COMPANY LAW OF SOUTH AFRICA. Sixth Edition. By M. A. Diemont, Q.C., B.A., LL.B., assisted by M. A. Boehmke, B.A., LL.B., (Juta & Co., Ltd. P.O. Box 30, Cape Town, South Africa. Price 75s. net.)

STATISTICS of County and of the County Council and the Borough and District Councils in the County of Buckinghamshire. (County Treasurer's Office, County Offices, Aylesbury.)

RETURN OF OUTSTANDING DEBT (England and Wales) as at March 31, 1952. (Institute of Municipal Treasurers and Accountants. Price 5s.)

THE COMPANY PROSPECTUS. Four lectures delivered to the London and District Society of Chartered Accountants. (Gee & Co. (Publishers), Ltd. Price 3s. 6d. net.)

LOCAL GOVERNMENT FINANCE IN THE ADMINISTRATIVE COUNTY OF DERBYSHIRE, 1953-54. (County Treasurer, St. Mary's Gate, Derby.)

BASIC RATES OF CAPITAL ALLOWANCES (ANNUAL) for . . . assets in common use in the Engineering Industry. (Engineering Industries Association, 9, Seymour Street, London, W.1. Price 3s. 6d. net.)

EDUCATION STATISTICS, 1951-52. (Institute of Municipal Treasurers, 1, Buckingham Place, London, S.W.1, and Society of County Treasurers, 20, Vauxhall Bridge Road, London, S.W.1.)

THE SOCIETY OF Incorporated Accountants

COUNCIL MEETINGS

MAY 19, 1953

FIRST MEETING

Present: Mr. C. Percy Barrowcliff (President), Mr. Bertram Nelson (Vice-President), Mr. John Ainsworth, Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. R. Wilson Bartlett, Mr. Robert Bell, Mr. C. V. Best, Mr. H. J. Bicker, Professor F. Sewell Bray, Mr. Andrew Brodie, Mr. Henry Brown, Mr. M. J. Faulks, Mr. W. H. Fox, Mr. Alexander Hannah, Mr. L. C. Hawkins, Mr. C. A. G. Hewson, Mr. W. H. Higginbotham, Mr. Hugh O. Johnson, Sir Thomas Keens, Mr. W. H. Marsden, Mr. A. E. Middleton, Mr. T. H. Nicholson, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell, Mr. Joseph Stephenson, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. Richard A. Witty and Sir Richard Yeabsley with the Secretary and the Deputy Secretary.

MINUTES AND APOLOGIES

The minutes of the Council meeting held on April 23, 1953, were agreed and signed.

Apologies for absence were received from Sir Frederick Alban, Mr. E. Cassleton Elliott, Mr. F. A. Prior and Mr. R. E. Starkie.

HER LATE MAJESTY QUEEN MARY

The President reported receipt of the following letter from the Home Secretary:

Sir,

I have had the honour to lay before The Queen the Loyal and Dutiful Address of the President, Vice-President and Council of the Society of Incorporated Accountants and Auditors on the occasion of the lamented death of Her late Majesty Queen Mary and I have it in Command from The Queen to convey to you Her Majesty's thanks for the expressions of sympathy which it contains.

*CORONATION OF HER MAJESTY QUEEN ELIZABETH

The Council resolved that the following Loyal Address should be presented to Her Majesty The Queen on the occasion of her coronation:

TO HER MOST EXCELLENT MAJESTY QUEEN ELIZABETH II

May it please Your Most Gracious Majesty

We, the President, Vice-President, Council and Members of the Society of Incorporated Accountants and Auditors, respectfully offer loyal and heartfelt congratulations to Your Majesty on the occasion of Your Coronation. It is our earnest prayer that Your Majesty may long be spared to reign in peace, happiness and prosperity over Your loyal and devoted subjects.

REPORTS OF COMMITTEES

The Council received the minutes of the following Committee meetings:

(a) *Finance and General Purposes Committee*, April 23, 1953;

(b) *District Societies Committee*, March 18, 1953;

(c) *Development Committee*, April 23, 1953;

(d) *Examination and Membership Committee*, April 23, 1953;

(e) *Library Committee*, May 12, 1953;

(f) *Applications Committee*, March 25, April 9, April 21, April 23 and May 1, 1953.

Revised Articles of Clerkship

Consideration of the draft revised articles agreement was deferred until a later meeting of the Council.

Quota of Articled Clerks

It was resolved:

(a) that Fellows be permitted to retain four articled clerks;

(b) that articled clerks under the Joint Universities Scheme shall not be included in the quota allowed to each principal;

(c) that upon the death or retirement of a member the clerks articled to that member may be transferred to another continuing member in the same firm or to any other member of the Society in public practice and shall not count in the quota of that member.

Candidates from Nationalised Undertakings

The Examination and Membership Committee was instructed to reconsider after six months the question of admitting candi-

dates from nationalised undertakings to the Society's examinations.

Society's November Examinations—Excess Profits Levy

It was resolved:

That questions on the Excess Profits Levy shall not be set in the November, 1953, Intermediate and Final Examinations.

MEMBERSHIP

The Council approved the report and recommendations of the Applications Committee.

SOUTH AFRICAN BRANCHES

The Council received the following minutes of meetings of the Committees of the South African Branches, subject to membership and other matters being dealt with by the appropriate committees:

(1) 534th meeting of the Committee of the Northern Branch, held at Johannesburg on February 21;

(2) Annual General Meeting of the Eastern Branch, held at Durban on April 28;

(3) Meeting of the Committee of the Eastern Branch, held at Durban on April 28.

ANNUAL GENERAL MEETING, MAY 19, 1953

The Council unanimously confirmed the action taken in connection with the nomination of Mr. C. Yates Lloyd, Manchester, for membership of the Council under the provisions of Article 55.

SECOND MEETING

Present: Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Robert Bell, Mr. C. V. Best, Mr. H. J. Bicker, Professor F. Sewell Bray, Mr. Andrew Brodie, Mr. W. H. Fox, Mr. Alexander Hannah, Mr. W. H. Higginbotham, Mr. Hugh O. Johnson, Sir Thomas Keens, Mr. W. H. Marsden, Mr. Bertram Nelson, Mr. T. H. Nicholson, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell, Mr. Percy Toothill, Mr. A. H. Walkey and Mr. Richard A. Witty with the Secretary and the Deputy Secretary.

APOLOGIES

Apologies for absence were received from: Mr. John Ainsworth, Sir Frederick Alban, Mr. Edward Baldry, Mr. Henry Brown, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. L. C. Hawkins, Mr. C. A. G. Hewson, Mr. A. E. Middleton, Mr. F. A. Prior, Miss P. E. M. Ridgway, Mr. R. E. Starkie, Mr. Joseph Stephenson and Sir Richard Yeabsley.

ELECTION OF THE PRESIDENT

Upon the motion of Sir Thomas Keens, seconded by Mr. Wilson Bartlett, it was resolved unanimously that Mr. C. Percy Barrowcliff, Fellow, Middlesbrough, be re-elected President of the Society for the ensuing year.

ELECTION OF THE VICE-PRESIDENT

Upon the motion of Mr. Barrowcliff, seconded by Mr. Toothill, it was resolved unanimously that Mr. Bertram Nelson, Fellow, Liverpool, be re-elected Vice-President of the Society for the ensuing year.

ELECTION OF THE DISCIPLINARY COMMITTEE

The following members were elected by ballot as members of the Disciplinary Committee:

Sir Frederick Alban, Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. E. Cassleton Elliott, Mr. F. A. Prior, Mr. Joseph Stephenson, Mr. Percy Toothill, Mr. Richard A. Witty.

Under the Articles of Association the President and Vice-President are *ex officio* members of the Disciplinary Committee.

COUNCIL MEETINGS

It was agreed that consideration would be given to the suggestion that all future meetings of the Council should be held in the Library at Incorporated Accountants' Hall.

INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

Sixtieth Annual Report

THE SIXTIETH ANNUAL REPORT OF THE Incorporated Accountants' Benevolent Fund states that the revenue of the Fund for 1952, at £3,741, shows an increase of £270 over that for 1951. There was an increase in subscriptions but a decrease in life subscriptions, donations and legacies. Contributions received during the past five years were:

		Subscriptions	Life subscriptions, donations and legacies
		£	£
1948	..	1,824	770
1949	..	1,970	338
1950	..	1,984	631
1951	..	2,346	1,163
1952	..	2,460	461

The Trustees express their warm thanks to all contributors and gratefully acknowledge the following gifts and legacies: Executors of F. W. Buzzacott, *dec'd.* (further instalment), £178; Executors of Arthur

Dobson, *dec'd.*, £110; Fitton Will Trust, £105; South African Western Branch, £31; and Incorporated Accountants' Lodge, £26.

During 1952 there was a sharp increase in the number of applications to the Fund and at the end of the year there were 39 beneficiaries. The Trustees have endeavoured to deal with all applications as generously as circumstances permitted, and once again they desire to record their appreciation of the help given by local honorary secretaries and other Incorporated Accountants who have undertaken investigations on behalf of the Fund. The assistance given in this way has been invaluable, not only to the Trustees but also to applicants to the Fund.

An analysis of the grants made in 1952 is set out below. Grants made during the past five years were as follows:

Year	Amount disbursed in grants	No. of beneficiaries
	£	
1948	.. 2,162	31
1949	.. 2,432	31
1950	.. 3,015	36
1951	.. 2,794	30
1952	.. 3,280	39

Particulars of grants made during the year 1952:

	No. of cases	Total grants
		£
Widows and dependants of deceased members ..	20	1,621
Education and support of children ..	14	1,264
Members or former members suffering from infirmity or in straitened circumstances ..	5	395
	39	3,280

SOCIETY'S EXAMINATIONS — MAY 1953

IT IS ANTICIPATED THAT THE RESULTS OF THE examinations held in May 1953, will be posted to candidates from Incorporated Accountants' Hall on Wednesday, July 22, 1953. This announcement supersedes the Professional Note in our last issue (page 173) in which it was stated that the results would be declared on July 22.

SOCIETY'S EXAMINATIONS — NOVEMBER 1953

THE COUNCIL OF THE SOCIETY OF INCORPORATED Accountants has decided that questions on the Excess Profits Levy shall not be set in the Intermediate and Final examinations to be held in November 1953.

SOCIETY'S EXAMINATIONS — NOVEMBER 1953

THE SOCIETY'S EXAMINATIONS WILL BE HELD on the following dates:

Final: Part I November 10 and 11, 1953.

Part II November 12 and 13, 1953.

Intermediate: November 12 and 13, 1953.

Preliminary: November 10 and 11, 1953.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle upon Tyne.

Completed applications, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than Monday, September 21, 1953.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

MEMBERSHIP

THE FOLLOWING PROMOTIONS IN, AND ADDITIONS TO, the membership of the Society have been completed during the period March 11, 1953, to June 3, 1953.

ASSOCIATES TO FELLOWS

ALLEN, James Elliott (*Alfred Wright & Co.*), London. ANDERSON, Douglas Ian Evans (*Wackrill & Anderson*), Johannesburg. BARNETT, William Tempest (*Piper, Barnett & Co.*), Wolverhampton. BASSETT, Jack Gask, Secretary, African Oxygen & Acetylene (Pty.) Ltd., Johannesburg. BICKERTON, Geoffrey Mayson (*Royce, Peeling, Green & Co.*), Manchester. BIRCH, Albert (*Bilsons, Cullen & Co.*), London. BOWEN, Thomas William Mathias, Cardiff. CADWALLADER, Harold Francis Jones, Welshpool, Mont. CARTER, Hugh Gordon (*Alex. Aiken & Carter*), Pretoria. CHEESMAN, Frank, Chief Accountant, Port of London Authority, London. DRIVER, John Mather (*Henry Toothill & Son*), Sheffield. FEAKINS, Rowland John (*Feakins & Son*), Croydon. FLOWERS, John Alfred, Hull. FOX, William George (*Fox & Co.*), Leicester. FRANKSON, Alfred Wood (*A. Wood Frankson & Co.*), London. FURNEAUX, Leslie William (*Leslie Furneaux & Co.*), London. GOODMAN, Jack, Liverpool. HAGLEY, Frederick (*Hepburn, Hagley & Knight*), London. HARRISON, Alexander, Secretary and Chief Accountant, Newforge, Ltd., Belfast. HEPBURN, Arthur Edward (*Hepburn, Hagley & Knight*), London. HUDSON, Harold Leeds. KAHN, Douglas Haig Evans (*C. Neville Russell & Co.*), London. KNIGHT, Harold Vernon (*Hepburn, Hagley & Knight*), London. LAUNDY, John Charles Arthur (*Testier, Son & Randall*), Purley. LAYFIELD, Arthur (*Barndale, Layfield & Co.*), Doncaster. LOW, Sidney Douglas (*Whiteley Brothers*), Johannesburg. LUNDY, John Herbert (*Laverick, Walton & Co.*), Sunderland. MACKELDEN, Norman Edgar (*Clifford Hill, Mackelden & Co.*), Plymouth. MARSHALL, Tom, Secretary, Tate & Lyle, Ltd., London. MORRIS, Gordon Alec James (*Hill, Vellacott & Co.*), London. PLUMPTON, John Arthur, Southgate. POLLARD, Leslie Arthur (*Hemmer, Potter, Maycock & Co.*), Bournemouth. RICHARDSON, Joseph Patrick (*Richardson, McEvilly & Co.*), Johannesburg. RICKABY, Robert (*Laverick, Walton & Co.*), Sunderland. ROGERS, Harry (*Handley, Wilde & Charlton*), Manchester. SENIOR, Ralph Hockey (*Tates & Senior*), Manchester. SMITH, George William (*Gough, Wright, Smith & Co.*), West Bromwich. SMITH, Wilfred (*Fox & Co.*), Leicester. SPARROW, Clifford George (*Jewitt, Sparrow & Swinbank*), Stockton-on-Tees. STIRLING, Douglas Windebank (*Russell, Durie Kerr, Watson & Co.*), Birmingham. STURGESS, Albert Berina, Spencer, Turner & Boldero, Ltd., London. SWINBANK, Roland William (*Jewitt, Sparrow & Swinbank*), Stockton-on-Tees. SWINBURNE, Ernest (*Laverick, Walton & Co.*), Sunderland. TOOTHILL, Henry Gerald (*Henry Toothill & Son*), Sheffield.

ASSOCIATES

ALLEN, Henry Charters (*Feakins, English & Co.*), Croydon, BACKHOUSE, Richard Miles (*Russell, Durie Kerr, Watson & Co.*), Birmingham. BHANDARI, Rajinder Mohan, formerly with K. P. Soni & Co., New Delhi. BIGLEY, John Victor, with Allen, Baldry, Holman & Best, London. BLAIR, John Murray, with Cooper & Kenny, Dublin. BROADHURST, Harry, with Nutt, Horne & Co., Derby. BURNS, Martin Wolfe (*Fialko, Burns & Co.*), London. DUCKETT, Arthur George, formerly Borough Treasurer's Department, Swindon. EARP, Ronald Henry, with Harper, Smith, Moore & Co., Norwich. EVANS, Mavis, with Dorrell, Oliver & Co., Abergavenny. GERS, Desmond Caesar, with Greenwood, Poulton, Maxwell & Co., Jo'burg. GLUCK, Maurice Bertram, with Hepburn, Hagley & Knight, London. HAYES, James Reginald (*John Unwin & Co.*), Wrexham. HEATHER, Ronald Edward, with W. T. Walton & Son, London. HENDER, William Thomas, with Beal, Young & Booth, Southampton. HODGSON, Leonard William, with Rooke, Holt & Co., London. HULL, William, with Newton & Co., Birmingham. HUNT, John Marshall, with J. Nicholson & Co., Lincoln. JOLLEY, Michael Francis, with Alexander MacLennan, Trundell & Co., Nairobi, Kenya. KING, Leonard Charles Victor (*Francis F. King & Son*), London. KIRK, Gerard David, with W. W. Beer Aplin & Co., Exeter. LATHAM, Patrick, with Deloitte, Plender, Griffiths, Annan & Co., Jo'burg. LOCKYER, Frederick William, formerly with H. Thomas & Co., London. LUNT, Geoffrey Wyndham, with Walter H. Oury, Slough. McLOUGHLIN, William Ross, with Peat, Marwick, Mitchell & Co., Pretoria. NEWMAN, Harry (*Bernard Phillips & Co.*), London. NOTLEY, John Shaw, with L. J. Brown & Notley, Newport, Mon. PRESCOTT, Colin (*Herring, Orme & Co.*), Manchester. REINSTEIN, Charles, with Brebner, Allen & Trapp, London. RHODES, Cecil Robert Charles, with R. H. March Son & Co., Cardiff. ROBINSON, Brian Frederick, with Harrison, West, Ledsam & Co., Birmingham. RUTHERFORD, Derek Thomas Jones, with Watson, Waddington & Sharp, Doncaster. SMITH, Frederick George, with Clifford C. Palmer, Colchester. STEPHENS, Charles Murray, with Crick & Russell, London. TOZER, Robert Stanley, with J. & A. W. Sully & Co., Weston-super-Mare. WILSON, John Vertue, formerly with Martin, Farlow & Co., London. WOOD, John Robert, with J. R. Atkins & Co., Manchester.

DISTRICT SOCIETIES AND BRANCHES

LONDON STUDENTS' SOCIETY

THE SIXTY-SECOND ANNUAL GENERAL MEETING of the Incorporated Accountants' Students' Society of London and District was held at Incorporated Accountants' Hall on May 28. Mr. G. F. D. Rice, A.S.A.A., the President of the Students' Society, presided.

Mr. Rice, in moving the adoption of the report and accounts for 1952, said that the London Students' Society was quite exceptional, in that it was the only Students' Society that was a separate body electing its own President, collecting its own subscriptions, engaging its own staff and running its affairs entirely separately from the District Society. That evening they were proposing to make a change; their new President, who was to be elected at the committee meeting after the annual general meeting, would, he anticipated, be an illustrious member of the Council of the parent Society. The members of the committee had made a great sacrifice in proposing the rules, that had now been accepted, to the effect that the new President should be elected outside the committee. He thought this showed the great interest shown in the promotion of the Students' Society by those members of the committee who would otherwise have followed him in the Presidency.

Mr. Rice said that he thought the true attributes of a good Incorporated Accountant were: firstly, that he should have a disciplined intellect; secondly, that he should

have a knowledge of human nature; thirdly, that he should have in his make-up some true politeness and courtesy; and fourthly, that he should have a sense of morality in business dealings.

The accounts of the Students' Society showed that a loss of £500 had been incurred on pre-examination courses. The course that had already been held this year would be the only one of the year; the next would be in the spring of next year. The last course had resulted in a loss of £150, which represented a big improvement on the results for the last year.

Mr. Rice concluded with an expression of regret at the resignation from the committee, owing to pressure of work on a change of occupation, of Mr. E. Williams.

The motion for the adoption of the report and accounts, seconded by Mr. A. S. Pearson, F.S.A.A., Vice-President of the Students' Society, was carried unanimously.

Mr. A. V. Hussey, F.S.A.A., proposed the election to the committee of Miss P. P. Groves. The resolution for her election, seconded by Mr. J. P. S. Edge-Partington, A.S.A.A., was carried.

Mr. J. A. Allen, F.S.A.A., Mr. A. V. Hussey, F.S.A.A., Mr. A. S. Pearson, A.S.A.A., and Mr. J. S. Riggs, retiring members, were re-elected to the committee.

The President presented prizes to the following students who had received medals and Certificates of Merit in the Society's examinations; the London students had, he said, been extraordinarily successful in the examinations: Joseph Askew Hedges, Peter John Gibson, Frederick Leonard Evans, Dennis Olpher Dodridge, Jack Bernard Guest, John William Alexander Dennison, Brian Shaw.

At a meeting of the committee held after the annual general meeting Mr. E. Cassleton Elliott, F.S.A.A., past President of the parent Society, was unanimously elected President of the Students' Society for the ensuing year.

NORTH AND SOUTH IRELAND

THE ANNUAL GOLF MATCH OF THE INCORPORATED ACCOUNTANTS in the North and South of Ireland was played recently on the County Louth Golf Course, Baltray.

The match for the golf trophy was won by the Northern team, the prize for the best score being won by H. F. Bell, F.S.A.A., A.C.I.S., Coleraine. The second prize was won by V. H. Lennox, A.S.A.A., Dublin.

In a bogey points competition which was held on Sunday, the first prize was won by C. D. Shannon, A.S.A.A., Dublin, the runner-up being S. A. Martin, A.S.A.A.

The prizes were presented to the winners by Mr. J. S. Lewis, F.S.A.A., the President of the Irish Branch.

SCOTTISH BRANCH

ANNUAL GENERAL MEETING

THE SEVENTY-THIRD ANNUAL MEETING WAS held at Glasgow on May 29. Mr. P. G. S. Ritchie, F.S.A.A., presided over a good attendance of members. The chairman spoke of the great loss to the Scottish Branch, of the death at the age of 90 of Mr. James Paterson, F.S.A.A., Greenock, who throughout his long career had rendered distinguished service to the Society and to the Scottish Branch. Many members were indebted to him for his encouragement and assistance and he would be long remembered with affection by members of all ages. Mr. Festus Moffat, O.B.E., Falkirk, and Mr. P. G. S. Ritchie, F.S.A.A., Glasgow, were elected to represent the Scottish Branch on the Council of the Society of Incorporated Accountants. The retiring members of the Council, Mr. Festus Moffat, O.B.E., F.S.A.A., Falkirk, and Mr. James M. Roxburgh, F.S.A.A., Port Glasgow, were re-elected. Mr. Alastair MacDonald, A.S.A.A., Edinburgh, and Mr. E. H. Harris, A.S.A.A., Glasgow, were elected members of the Council to fill vacancies.

At a subsequent meeting of the Council of the Scottish Institute of Accountants, Mr. Festus Moffat, O.B.E., F.S.A.A., Falkirk, was elected President of the Scottish Branch in succession to Mr. P. G. S. Ritchie, F.S.A.A., Glasgow. A cordial vote of thanks was accorded to Mr. Ritchie for his diligent services to Scottish Branch affairs since his appointment in 1950. Mr. Robert Fraser, F.S.A.A., Glasgow, and Mr. John Stewart, F.S.A.A., Grangemouth, were re-elected Vice-Presidents. Mr. James A. Scott, O.B.E., F.S.A.A., Kilmarnock, was elected a Vice-President in succession to Mr. Moffat.

REPORT

THE SEVENTY-THIRD ANNUAL REPORT OF THE Scottish Branch of the Society of Incorporated Accountants (Scottish Institute of Accountants) for the year ended December 31, 1952, gave the membership of the Branch as 148, of whom 44 were Fellows, 104 Associates. The Council recorded with deep regret the death of Mr. James Paterson, F.S.A.A., who throughout his long career had rendered distinguished services to the Society and to the Branch. In the examinations of May and November, 1952, 96 candidates sat and 24 passed. The Glasgow Students' Society continued fortnightly classes for intermediate and final candidates under the direction of the President of the Students' Society, Mr. Robert Fraser and with the assistance of voluntary tutors. The Branch decided to nominate Mr. Festus Moffat, O.B.E. and Mr. P. G. S. Ritchie as members of the Council of the Society.

IRELAND

REPORT

THE FIFTIETH ANNUAL REPORT OF THE Society of Incorporated Accountants in Ireland for the year ended March 31, 1953, states that the deficit for the year arose principally from a heavy increase in the cost of the Students' Societies. The Council had been obliged to take steps to keep the expenditure of the Societies within necessary limits without hampering the work or discouraging the members. The membership of the Society comprised 82 Fellows and 225 Associates, an increase of 23. A new Student Society had been formed for Cork and District under the Presidency of Mr. J. R. O'Leary, F.S.A.A. In the May and November, 1952, examinations there was an improvement in results compared with recent years but they had still to be considered unsatisfactory. The Council had co-opted Mr. L. R. O'Leary to the Council; the appointment was subject to ratification at the end of the general meeting.

DEVON AND CORNWALL

THE ANNUAL GENERAL MEETING OF THE Incorporated Accountants District Society of Devon and Cornwall was held at Plymouth on May 22, 1953.

Mr. J. B. Spencer raised the question of the cost to students of the annual dinner, and the Secretary explained the position in which the District Society was placed. The report and accounts were adopted. The retiring members, Messrs. Holmes, Isaac and Whitmarsh were re-elected on the proposition of Mr. Tucker, seconded by Mr. Dudman. On the proposition of Mr. Archer and seconded by Mr. Edgcumbe, Mr. F. H. C. Casbourn was re-appointed honorary auditor with thanks for his past services.

At a Committee meeting following the annual meeting the following officers were elected: President, Mr. S. G. T. Holmes; Vice-President, Mr. F. R. Balme; Treasurer, Mr. G. Dudman; and Secretary, Mr. P. D. Pascho.

LIVERPOOL

REPORT

THE REPORT OF THE INCORPORATED Accounts' District Society of Liverpool for the year ended March 31, 1953, shows that at that date the total membership was 715, of whom 55 were Fellows, 332 Associates and 328 students. In the examinations in May 1952, 33 student members were suc-

cessful and in those of November 1952, 35 were successful. Several members had taken regular duties at the Citizens' Advice Bureau to advise applicants on their taxation difficulties and the Committee welcomed assistance in this work from other members of the Society.

WEST OF ENGLAND

THE ANNUAL GENERAL MEETING OF THE West of England District Society of Incorporated Accountants was held in Bristol on June 10. The retiring members of the Committee were Messrs. B. Hall, F. C. Hucker, D. G. Price and F. P. L. Roberts. Mr. F. C. Hucker and Mr. F. P. L. Roberts were eligible and offered themselves for re-election, and upon the proposition of Mr. W. W. Ward, seconded by Mr. N. J. L. Brown, they were re-elected. Mr. V. G. Mundy of Gloucester, had been nominated for election to the Committee, and had agreed to serve, and on the proposition of Mr. F. P. L. Roberts, seconded by Mr. P. K. Pitt, he was duly elected. Mr. Berkeley Hall of Shepton Mallet, and Mr. D. G. Price of Gloucester did not seek re-election to the Committee, and after the President had paid tribute to their services on behalf of the District Society, it was unanimously agreed that letters of thanks be addressed to Mr. Hall and Mr. Price. On the proposition of Mr. Hugh O. Johnson, seconded by Mr. N. J. L. Brown, it was decided that the vacancy on the Committee be left for the Committee to fill, having special regard to a member from the outer areas. Mr. John S. W. Bernard, the retiring Hon. Auditor was re-elected for the ensuing year on the proposition of the Chairman, seconded by Mr. R. J. Hulbert. A vote of thanks to Mr. Bernard for his services during the past year was carried by the meeting. On the motion of Mr. J. R. Pearson, a vote of thanks to the President for his services to the District Society, was carried with acclamation. Mr. R. F. Emmerson suitably responded.

At a Committee meeting following the annual general meeting, Mr. Harold F. Leach, was elected President of the District Society, and Mr. F. P. L. Roberts was elected Vice-President for the ensuing year.

REPORT

The report for the year ended March 31, 1953, showed that the membership at that date was 415, consisting of 49 Fellows, 185 Associates and 181 Students. In the endeavour to ensure suitable recruits to the profession, the Society was co-operating

with the Central Youth Employment Executive and close liaison was to be maintained with schools and colleges. Talks on the profession had been given to schools. Meetings had been held at Swindon, Gloucester and Taunton with the intention of promoting further activities for members and students in those areas, in which local sub-committees had been formed. Mr. B. Hall and Mr. D. G. Price retired from the Committee and the thanks of the Society were due to them for their efforts on behalf of the District Society over a very long period.

STUDENTS SECTION

At the annual general meeting of the Students' Section held on June 5, Mr. B. H. Fish, A.S.A.A., was elected Chairman, and Mr. N. Ford, Vice-Chairman for the coming year.

Mr. B. W. Sage was elected Hon. Secretary of the Students Section, in succession to Mr. R. G. Travis, and a vote of thanks to Mr. Travis for his services was recorded.

The following Committee members were appointed: R. J. Bowkett, R. A. Chapman, J. L. Collard, D. E. Green, A. B. Jenkins, W. B. Price, R. G. Travis, and R. K. Seaman.

YORKSHIRE

REPORT

THE FIFTY-NINTH ANNUAL REPORT OF THE Incorporated Accountants' District Society of Yorkshire for the year ended March 31, 1953, stated that there were then 865 members, comprising 64 Fellows, 378 Associates and 423 student members. There had been a full programme of lectures for senior and student members during the year and Saturday morning classes for students preparing for the examinations: these were well attended. The deficit of the previous year had been turned into a small surplus.

Exemption from Society's Preliminary Examination

In our last issue (page 212) we announced that as from June 1, 1953, a Senior Grammar School Certificate presented for the purpose of exemption from the Preliminary Examination of the Society must contain a credit standard at ordinary level or a pass at advanced level in five subjects, one of which must be a mathematical subject. This announcement should have referred to the Senior Grammar School Certificate of Northern Ireland.

SOUTH AFRICAN (NORTHERN) BRANCH

THE ANNUAL SOCIAL GATHERING OF THE South African (Northern) Branch which had been planned for November 25 last, but which had to be postponed on account of rain was held on May 5, 1953.

The attendance of 174 members and clerks was only four short of the record attendance established at the 1950 gathering. The Vice-Chairman of the Branch, Mr. Galloway, deputising for the Chairman welcomed all who attended and in the course of a few humorous remarks suggested that during the coming year clerks should further educate their employers in order that an even greater number of members and clerks would be present at the next gathering.

After some closely contested final matches the tennis competition which carried the Aubrey L. Palmer Cup was won by Mr. C. Z. Rangelcroft and Mr. R. J. Harris who defeated Mr. R. S. Adams and Mr. T. B. Toms. The golf competition which as usual was very closely contested was won by Mr. K. C. Whyte who put in an excellent score. The runner-up was R. C. Urguhart. The bowls competition was held in the afternoon and this was won by Mr. L. N. Cook and Mr. E. W. Perks.

The spirit of enjoyment was apparent throughout the day and it appeared that an occasion such as the annual social gathering is of very great benefit in establishing friendly contacts between members and their clerks.

EVENT OF THE MONTH

July 20.—*London:* Dinner to the Lord Mayor of London, Incorporated Accountants' Hall, at 7 p.m. for 7.30 p.m. Evening dress and decorations.

PERSONAL NOTES

Mr. T. B. Hargrave, A.C.A., A.S.A.A., advises that he has ceased to practice as T. Beresford Hargrave & Co., having entered into partnership with Mr. M. B. Wright, F.C.A. The firm will practice as Gillies & Wright at 27-31, High Street, Croydon.

Mr. Edward Crome, A.S.A.A., A.C.W.A., has been appointed Secretary/Accountant to Richard Sutcliffe, Ltd., Horbury, Wakefield, Yorkshire.

Messrs. Robson, Morrow & Co., 59, New Cavendish Street, London, W.1, announce that Mr. William S. Risk, B.COM., C.A., F.C.W.A., retired from the partnership at May 31, 1953, to take up an appointment in industry and that Mr. Kenneth G. Vickers, A.S.A.A., A.C.W.A., was admitted into partnership as from June 1, 1953. The name of the firm remains unchanged.

Mr. W. S. Risk, B.COM., C.A., F.C.W.A., has been appointed Managing Director of H. W. Nevill, Ltd., London, as from June 1, 1953.

Mr. Dermot L. Shortall, F.C.A., of the firm of Messrs. Kevans & Son, Dublin, has taken into partnership Mr. Donal P. Flinn, B.COM., A.C.A., who has been associated with him for a number of years. The firm will continue to practice under the style of Kevans & Son.

Mr. S. J. Weber, Incorporated Accountant, has commenced public practice at 28, Bellegrave Road, Welling, Kent, under the name of S. J. Weber & Co., Incorporated Accountants.

Messrs. H. E. Mattinson & Partners, Incorporated Accountants, 36-41, Salisbury House, Smith Street, Durban, have admitted Mr. K. Y. Holloway, A.S.A.A., into partnership as from April 1, 1953.

Messrs. J. Wild & Co., Incorporated Accountants, 74 and 76, Blackburn Street, Radcliffe, Manchester, have admitted Mr. D. E. Abbott, A.S.A.A., A.C.A., into partnership.

Mr. Edwin G. Pulsford, Incorporated Accountant, 233, High Street, Poole, announces that he has admitted into partnership as from October 1, 1952, Mr. H. G. Pulsford, A.S.A.A., Mr. Frank M. Montague, A.S.A.A., and Mr. Daniel E. Boohan, A.S.A.A.

Mr. Geoffrey W. Wood, Incorporated Accountant, has been appointed Secretary to J. H. Duckingham & Co., Ltd. 23-33, Wenlock Street, London, N.1. This is an addition to his present position as Chief Accountant to the Company.

ACCOUNTANCY

SUBSCRIBERS IN INDIA

All Subscribers in India who do not at present subscribe through a bookseller or agent are requested to note that, with a view to facilitating subscription arrangements, we have appointed

**CHARLES LAMBERT & CO.,
POST BOX No. 4087,
BOMBAY 7, INDIA**

as our representatives in India. Renewals of all subscriptions and new orders should, in future, be sent to them direct. Similarly, all correspondence about subscriptions and inquiries about other publications of the Society should be addressed to these agents.

REMOVALS

Messrs. E. T. Brown & Co., Incorporated Accountants, announce that the firm have removed their offices to 58a, Waterloo Road, Wolverhampton.

Messrs. H. Rainsbury & Co., Incorporated Accountants, have removed their offices to 12, Chandos Street, Cavendish Square, London, W.1.

OBITUARY

GEORGE GILL OATES

We record with regret the death on May 4, at the age of 64, of Mr. G. G. Oates, A.S.A.A., senior partner in F. J. Clarke & Co., Incorporated Accountants, Doncaster.

Mr. Oates qualified as an Incorporated Accountant in 1921, and became a partner in the firm established by the late Mr. F. J. Clarke. For about 25 years he was one of the Registrars of Marriages at Doncaster, and for a few years was secretary of the Doncaster Chamber of Trade.

In addition to being chairman of the Bessacarr Gravel Company, Ltd., Mr. Oates held directorships in several other companies, including the Doncaster Rovers Football Club.

Invaluable help was given by Mr. Oates as hon. treasurer of the local National Savings Committee. He was also keenly interested in freemasonry, and was a member of several lodges, being a past master of both the Bawtry Lodge and Chapter.

Mr. Oates was held in very high esteem by a large circle of business people, amongst whom he will be greatly missed for his integrity, sound judgment and wise counsel.

GEORGE SMITH

With regret we announce the death of Mr. George Smith, an Associate of the Society, on June 9. Except for his military service in World War II, Mr. Smith spent the whole of his career, amounting to over 40 years, in the service of the Northumberland County Council. He became an Associate of the Society in 1923. In 1929 he was appointed Deputy County Treasurer of Northumberland and became County Treasurer in 1943. He was 57 years of age.

JOSEPH OSBORNE

We record with regret the death on May 4 of Mr. Joseph Osborne, Associate, at the age of 86. Mr. Osborne was a partner in the firm of Messrs. Osborne, Cooke and Co., of Belfast, and had been a member of the Society since 1921. He took an active interest in the affairs of the District Society of Northern Ireland.